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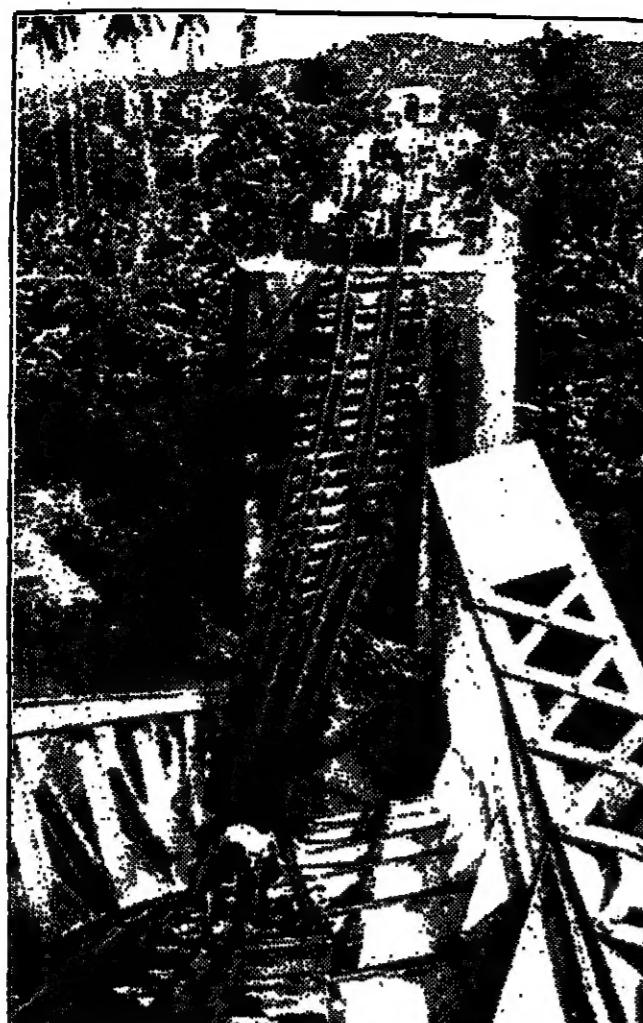
# Herald Tribune

Published With The New York Times and The Washington Post

LONDON, THURSDAY, SEPTEMBER 24, 1987

ESTABLISHED 1887

## Filipino Rebels: Test for Army



Communist rebels hit a rail bridge this week south of Manila.

## Guerrillas Now Hold Edge in War

By Bernard E. Trainor  
*New York Times Service*

ZAMBOANGA, Philippines — Almost half of the Philippine Army is engaged in the counterinsurgency campaign against Communist and Moslem rebels on the island of Mindanao, but its forces appear to be making little headway.

Army forces are spread thinly in garrisons along the populated coastal areas of the island, the

### NEWS ANALYSIS

southernmost and second largest of the Philippine archipelago. They patrol some villages of the interior, but the guerrillas appear to have the military initiative.

Most of the fighting in the area occurs when guerrillas attack a government garrison or ambush an army patrol in the heavily forested and mountainous countryside.

Many officers acknowledge they are reluctant to risk soldiers' lives by tracking down the insurgents when the government has not succeeded in bringing about the promised political and economic changes to combat the poverty and inequality that has caused the insurgency.

This was one of the complaints lodged against President Corazon C. Aquino by Colonel Gregorio Honasan, who led the coup attempt in the Philippines last month.

The Philippine Southern Command, on the Zamboanga Peninsula, jutting westward into the Sulu Sea, is responsible for internal security on Mindanao and the neighboring island groups of Basilan, Jolo and Tawi-Tawi.

The command under General Cesario Tapia, a highly respected army officer, faces two regional insurgencies. One is conducted by the military arm of the Philippine Communist Party, the New People's Army. The other is an again-off-and-on-war by the Moro National Liberation Front and other Moslem separatist guerrilla groups.

The Communist and Moslem rebels operate in separate areas and seldom cooperate, according to government officials.

Officers of the Southern Command consider the Communist insurgency the more serious threat. Unlike the Moslem separatist movement, which is regional and considered amenable to a political solution in the form of greater rights for the Moslems on Mindanao and the Sulu Archipelago, the Communists are trying to seize control of the entire Philippines.

Officers of the Southern Command said that the Communists are particularly difficult to find and to capture, the sources said.

Mr. Biden said he had to choose between "running for president and doing my job to keep the Supreme Court from moving in a direction that I believe to be truly harmful." He said he would remain "deeply involved" in the fight to block Robert H. Bork's confirmation to the high court.

Even as he withdrew from the 1988 race, he said with a smile, "There will be other presidential campaigns, and I'll be there."

Mr. Biden scheduled his announcement after meeting Tuesday night at his home in Wilmington, Delaware, with close political aides and family members. They unanimously recommended that he leave the race, sources said.

Mr. Biden's campaign has been struggling for more than a week to recover from a string of disclosures that he has used the words of other politicians in his speeches without attribution, that he plagiarized during law school and that he exaggerated his academic achievements.

The first blow fell when it was disclosed that Mr. Biden had lifted campaign speech material from a British politician, Neil Kinnock, delivering a personal anecdote as if it were his own.

That was followed by reports, confirmed by the senator, that he had plagiarized material for a law school paper more than 20 years ago.

Pete said the decision was made at a cabinet meeting Wednesday chaired by King Hussein. The cabinet discussed preparations for an Arab summit meeting to be held in Amman on Nov. 8 to discuss the Iran-Iraq war.

Jordan has been a ally of Iraq throughout the seven-year Gulf conflict. Libya initially aligned itself with Iran but has recently restored ties with Iraq and called for a cease-fire in the conflict.

## An 'Angry' Biden Quits U.S. Presidential Race

*The Associated Press*

WASHINGTON — Senator Joseph R. Biden Jr. withdrew Wednesday from the race for the 1988 Democratic presidential nomination, saying the "exaggerated shadow" of his mistakes had begun "to obscure the essence of my candidacy."

"I do it with incredible reluctance and it makes me angry," he said. "I'm angry at myself for having put myself in the position of having to make a choice."

The Delaware Democrat made his announcement after damaging disclosures that he committed plagiarism during law school and exaggerated his academic accomplishments on a campaign stop.

Mr. Biden, 44, became the second Democratic candidate to quit the presidential race, months before the first primaries, over issues of personal integrity. Gary Hart, then the front-runner, withdrew after questions were raised about his relationship with Donna Rice, an actress and model from Miami,

"I still believe it's time to rekindle the spirit of idealism in this country," Mr. Biden said.

"I believe I could and I believe I will make a difference" in leaving the country a better place than his generation found it, he added. Mr. Biden entered the Senate in 1973.

Mr. Biden said he had to choose between "running for president and doing my job to keep the Supreme Court from moving in a direction that I believe to be truly harmful." He said he would remain "deeply involved" in the fight to block Robert H. Bork's confirmation to the high court.

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### Kiosk

#### Jordan, Libya To Restore Ties

*AMMAN, Jordan (Reuters)*

Jordan has decided to restore diplomatic relations with Libya since crowds burned the Jordanian Embassy in Tripoli in February 1984, the press agency Petra reported Wednesday.

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Jordan has been a ally of Iraq throughout the seven-year Gulf conflict. Libya initially aligned itself with Iran but has recently restored ties with Iraq and called for a cease-fire in the conflict.

The reason bags fail to make connecting flights take ages to reach the baggage carousel, according to Mr. Kyd and other industry spokesmen, is that air travel has increased by 30 percent in the last three years without a corresponding increase in airport facilities.

Airport congestion "is the main future problem in civil aviation, no doubt about it," Mr. Kyd said in a telephone interview. "Traffic is building up by 10 to 15 percent a

year, and facilities are not keeping pace. No new airports have been built in the United States since 1974, and in Europe only one is planned, at Munich. So when the peaks build up, everything gets clogged."

A survey of 30,000 travelers due to be made public Thursday by the International Foundation of Airline Passengers Association, a Geneva-based consumer group, said speed was the feature that most people looked for in assessing an airport.

"By far the most important ele-

ment of speed is swift delivery of baggage on arrival," the survey says. "This is the only feature selected by more than half of all passengers, and outweighs every other feature for every type of passenger, regardless of sex, class and frequency of travel and region of residence."

Nearly a third of those polled listed quick baggage claim as the area most in need of improvement at airports.

Amsterdam received the most nominations for favorite airport in the poll, followed by Singapore,

Frankfurt, London-Heathrow, Tampa, Atlanta, Zurich, Paris-Charles de Gaulle and Dallas-Fort Worth.

Are airport managements taking the problem of baggage handling seriously?

"Very seriously indeed," said René André, communications director of the Airports Coordinating Council in Paris. "A passenger without his clothes is not a happy customer."

But such is the buildup of passengers, he said, that "it is difficult to see across the sun. At 10:30 it was moving gradually toward the center, a half-hour later it had left only a bright wedge and, at 11:25, it created a perfect golden ring.



## Elite, Secret Army Unit Attacked Iran Ship

By George C. Wilson  
*Washington Post Service*

WASHINGTON — The U.S. attack on an Iranian Navy ship suspected of laying mines in the Gulf was carried out by army helicopters from a counterterrorism task force specially trained and equipped to operate in darkness and bad weather, Pentagon sources disclosed.

The helicopter that raked the Iran Ajr with rockets and gunfire, they said, was a special version of the Hughes OH-6 used by Task Force 160 at Fort Campbell, Kentucky. Task Force 160 is a low-profile, fast-response unit designed to move undetected into terrorist or hostage situations almost anywhere in the world.

The helicopter is armed with machine guns and 2.75-inch (70.5-millimeter) rockets, which scatter shrapnel over a wide area to maximize the chances of hitting a small target like the Iranian ship.

The helicopter also is equipped with an array of night-detection devices that most navy helicopters in the Gulf lack.

Pilots and gunners flying the helicopter wear high-technology night-vision goggles so they can see with only a little starlight and moonlight.

There were conflicting reports from the Pentagon and the Gulf as to whether more than one of the special helicopters carried out the attack.

Task Force 160 is sometimes called "the wings of Delta Force," the specially trained troops normally quartered at Fort Bragg, North Carolina, who have been sent to respond to several Middle East hijackings in recent years but have not engaged an adversary.

The Pentagon does not acknowledge publicly the existence of Delta Force or its serial com-

pany, though their existence has become an open secret.

Calling themselves "Night Stalkers" and using "Death waits in the dark" as a motto, Task Force 160 pilots practice flying low on the darkest nights.

Their flight training has proved highly risky, but Admiral William J. Crowe Jr., chairman of the Joint Chiefs of Staff, favored adding their night capability to the Gulf fleet, sources said. He also requested mine-detection capability, they said.

Last week, Pentagon officials said, Admiral Crowe moved from one ship to another in the Gulf explaining the rules of engagement if a U.S. helicopter or ship spotted an Iranian vessel laying mines. His message, one official said,

See FORCE, Page 7

## 4 Types of U.S. Navy Missiles Said to Have Defects

By R. Jeffrey Smith  
*Washington Post Service*

WASHINGTON — Four of the U.S. Navy's most modern missiles, including several deployed with U.S. forces in the Gulf, potentially suffer from manufacturing defects that can cause them to fail in combat, a draft report of the General Accounting Office has concluded.

The navy purchased the missiles at a cost of several billion dollars over the last 16 months despite knowledge of the potential defects, according to the report obtained this week by The Washington Post.

The missiles listed were the Sparrow, the Harpoon, the Phoenix and the HARM, a high-speed anti-radiation missile that can be aimed at aircraft, ships and radar installations. Only the Phoenix had been widely reported to have defects.

The navy sometimes ignored problems or waived requirements for the missiles; the report said. Instead of demanding repairs, the navy obtained better warheads. In one instance, it bought hundreds of useless, partly completed missiles and put them into storage because a key part was defective and needed reworking.

Although the report does not refer to naval operations in the Gulf, Sparrows failed twice when they were fired by F-14 jet fighters at what was believed to be an Iranian plane over the Strait of Hormuz on Aug. 10.

Since mid-1986, the navy has accepted hundreds of the Sparrows "that were suspected of having defects that could affect missile performance," the report said. The defects included improper wiring, poor soldering, inadequate detonators and wings that cannot be properly folded before stuffing the missile into its launcher tubes.

Navy officials said Tuesday that none of the problems had affected the operation of the Sparrow, which they said had been more reliable than expected. But the General Accounting Office reported that the navy had been sharply at odds with one of the principal Sparrow manufacturers, the Raytheon Corp., over the cost of repairing missiles that failed routine tests.

The Sparrow costs an average of \$183,000 each, the report said.

Similar defects were found last year in solidifying for the HARM, designed to be fired by A-7, F-18 and EA-6B carrier-based aircraft at enemy radar installations.

Discovery of the defects caused the navy to

See DEFECTS, Page 7

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See GULF, Page 7

## Missing Baggage: A Tale Told 15 Million Times

By Barry James  
*International Herald Tribune*

PARIS — This year, the world's airlines are expected to carry a billion passengers, each of whom will have an average of 1.5 pieces of checked-in baggage. Up to 1 percent of that luggage, or about 15 million bags, will fail to make it to the same place at the same time as the passenger, and millions more travelers will have experienced frustrating delays in airport claims areas.

"Of all the complaints we get," said David Kyd, information director for the International Air Transport Association in Geneva, "those concerning baggage are top of the list."

The reason bags fail to make connecting flights take ages to reach the baggage carousel, according to Mr. Kyd and other industry spokesmen, is that air travel has increased by 30 percent in the last three years without a corresponding increase in airport facilities.

Airport congestion "is the main future problem in civil aviation, no doubt about it," Mr. Kyd said in a telephone interview. "Traffic is building up by 10 to 15 percent a

year, and facilities are not keeping pace. No new airports have been built in the United States since 1974, and in Europe only one is planned, at Munich. So when the peaks build up, everything gets clogged."

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## U.S. and Poland Select Ambassadors for First Exchange in 4 Years

By Elaine Sciolino  
New York Times Service

**WASHINGTON** — After a four-year absence, the United States and Poland have agreed to restore ambassadors to each other's capitals, according to diplomats and U.S. State Department officials.

President Ronald Reagan has chosen John Davis, a career diplomat who is the chargé d'affaires in Warsaw, to be the U.S. ambassador to Poland. The president is expected to notify Poland of his decision during the visit of Vice President George Bush this weekend.

Poland formally informed the State Department on Tuesday that it was naming Jan Kiniar, a deputy minister for foreign affairs, as its ambassador to Washington, according to State Department and diplomatic sources. The process requires the consent of the administration, which is expected to be granted.

A senior State Department official announced that Poland had requested the process late Tuesday at a briefing on Mr. Bush's trip to Europe, which begins Thursday. The official, who spoke on the condition that he not be identified, said that Mr. Bush would likely make comments related to the diplomatic exchange during a four-day stay in Poland beginning Saturday.

Diplomats said that the formal submission of names had taken place after U.S. officials indicated that Mr. Bush would request the exchange process for a U.S. ambassador during his visit.

Mr. Bush's visit will represent the most senior U.S. presence in Poland since a trip by President Jimmy Carter in 1977.

U.S. officials said the vice president's trip would represent a tangible indication of improved U.S.-Polish relations. Mr. Bush is expected to make a five-minute speech on Polish national television and to sign an agreement calling

for improved scientific and technological cooperation, U.S. officials said.

In addition, he is to discuss Poland's troubled economy and make recommendations on how it can gain financial credit and other assistance from international lending agencies like the International Monetary Fund, the officials said.

Martial law was declared in Poland in December 1981, but the United States did not scale down its representation to the level of chargé d'affaires until early 1983, when it removed Ambassador Frank Meenan, as part of a normal rotation. Poland would not agree to receive the new U.S. nominee unless certain political conditions were met, and the United States decided to leave the post open.

Poland's embassy in Washington has not had an ambassador since Ronsald Spasowski defected when martial law was declared.

In addition to a meeting and official state dinner with the Polish leader, General Wojciech Jaruzelski, Mr. Bush will meet privately with Lech Wałęsa and other leaders of the banned Solidarity trade union at the residence of the U.S. chargé d'affaires. Mr. Bush also is to meet with leaders of the Roman Catholic Church in Poland.

### Solidarity Talks Assailed

A Polish government spokesman said Tuesday that Mr. Bush's scheduled meeting with Solidarity leaders would do nothing to improve Polish-U.S. relations, United Press International reported from Washington.

These meetings, loudly advertised by Western media, do not serve the goals of coexistence," the spokesman, Jerzy Urban, said at a news conference.

He said that Solidarity leaders "are being financed with foreign money" and "agree with American authorities." Thus, Mr. Urban said, Mr. Bush will be meeting his "clients."



Peter Jennings, center, moderating a television debate between U.S. and Soviet legislators broadcast live in both countries.

## Ads Imitate Soviets During Live U.S. TV Link

Compiled by Our Staff From Dispatches

**MOSCOW** — "I feel," said Marshal Sergei F. Akhromeyev, "like an actor who has to repeat his lines." He was clearly displeased.

"Here we go again," sighed Leonid Zolotarevsky, a Moscow television commentator. "It's another commercial break."

The two leading performers on Wednesday at the Moscow end of the first live television discussion between deputies of the Supreme Soviet, the principal legislative body in the Soviet Union, and U.S. congressmen in Washington.

The two-hour program, seen simultaneously in both countries, was aimed at increasing understanding between the two powers, according to its initiators. But on both sides the discussion went little beyond a re-statement of known positions.

The program, "Capital to Capital," was broadcast via satellite by the Soviet State Committee for Television and Radio and a U.S. network, ABC. It was broadcast at 7:30 A.M. Wednesday in Moscow and 11:30 P.M. Tuesday in Washington.

In Washington were Senator Sam Nunn, Democrat of Georgia and chairman of the

Senate Armed Services Committee; Representative Les Aspin, Democrat of Wisconsin and chairman of the House Armed Services Committee; and Representative Trent Lott of Mississippi, leader of the Republican minority in Congress.

There was a sharp exchange when Mr. Korniyenko cited a recent U.S. poll in which 44 percent of those questioned said they believed the Soviet Union had fought on the side of Nazi Germany in World War II.

"This sort of ignorance is what brings mis-trust," said Mr. Korniyenko.

"I know a number of people who have a close knowledge of the Soviet Union who don't trust you entirely either," Mr. Aspin retorted.

When Mr. Nunn argued that Soviet conventional forces in Europe should be scaled back, Mr. Akhromeyev dismissed as "a legend" Western assertions that the East Bloc has an advantage in nonnuclear weaponry.

But panel members and the studio audiences in both capitals applauded when Representative Claude Pepper, Democrat of Florida, called for an end to confrontation and "a return to common sense."

(Reuters, AP)

## A New Book 'by Gorbachev' Lacks That Personal Touch

By Edwin McDowell  
New York Times Service

**NEW YORK** — At first glance, the proposal sounded irresistible: a book about world affairs written by the architect of *glasnost*, Mikhail S. Gorbachev.

A closer examination, however, showed that the book being offered to American publishers was actually what one publisher called a "cut and paste" job of Mr. Gorbachev's speeches and writings. The book was put together by two Austrian journalists, who have apparently

never met the Soviet leader, much less interviewed him.

A German-language edition of the book is to be officially presented at a Soviet Embassy reception in Vienna on Sept. 30. But it is still undecided whether the Kremlin, which has approved the compilation, will allow Mr. Gorbachev's name on the title page.

Scott Meredith, the literary agent who is handling the book in the United States, said he had been told by the Austrian publisher and by the Austrian government that the book was genuine. But in the

face of denials of Mr. Gorbachev's direct involvement, he said, "We'll obviously have to reconsider whether to pull out or not."

Oleg P. Benyukh, spokesman at the Soviet Embassy in Washington, said Tuesday: "This is not a book by Gorbachev or a book of interviews with Gorbachev. The Austrian journalists have never met with him, as far as I know. It's a compilation of excerpts from speeches, plus questions they invented later on."

The German-language edition is to be published in Austria by Verlag Oracl. Leonid Petrov, a spokesman in Soviet embassy there, said Tuesday that the book had been approved by the Kremlin after his embassy had passed it along. A spokesman for Verlag Oracl acknowledged that the authors had not specifically asked questions of Mr. Gorbachev but had instead written out questions themselves and placed them ahead of relevant statements abstracted from speeches and other public material of the Soviet leader.

Mr. Meredith expressed surprise that the book was not as he had

outlined it to publishers. Both the Austrian publisher and the Austrian government, he said Tuesday, "have told us repeatedly this is exclusive, it's what Gorbachev wants."

In his letter to the publishers on Sept. 14, which was accompanied by 104 pages of manuscript in German as well as a summary and an English translation of a few pages, Mr. Meredith described the work as "an extremely important book project by an unusual new client: Mikhail Gorbachev."

In the letter and in conversation

with Gorbachev in putting the final manuscript together."

Publishers were asked to respond by Sept. 28, and the manuscript was promised on Oct. 31.

Several collections of Gorbachev speeches and position papers are in print in English, including three from Richardson & Steinman, a small publisher.

Although the first two volumes are largely collections of position papers, according to Stewart Richardson, a partner in the company, the most recent volume, "Toward a Better World," published last spring, contains a chapter written especially by Mr. Gorbachev.

"Richardson knows Gorbachev personally," Mr. Benyukh of the Soviet Embassy said. "His books are the only authorized Gorbachev books in English."

Sudan has ordered at least 16 relief agencies to leave the country within two weeks, relief officials in Nairobi said. In July, Khartoum said it would close more than 20 relief organizations, charging that they have been cooperating with the rebel Sudanese People's Liberation Army.

President Hissene Habré of Chad, however, attended the special session of African Unity meeting called by President Kenneth Kaunda of Zambia, who is OAU chairman. Also present were the presidents of Gabon, Mozambique and Senegal.

Western diplomats said Colonel Gadhafi's absence made success doubtful for the latest peacemaking efforts of the organization, which negotiated a cease-fire that has been in effect since Sept. 11. The Libyan news agency JANA said Colonel Gadhafi would be represented by Foreign Minister Jadallah Azouz al-Tahli. Zambian officials said the Libyan delegation was headed by an ambassador.

### For the Record

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Fort who look opportunity Help he offere

Get a taste of Mom's pumpkin pie. Call home.

You can just see her, testing the crust with her fork, as if every pie she's ever made hasn't been perfect. Tell her this one will be great, too. Go ahead. Reach out and touch someone.®



## French Channel Dismisses Fiery Star

By Julian Nundy  
International Herald Tribune

**PARIS** — Michel Polac, a provocative television talk-show host, has been dismissed by France's recently privatized TF1 channel for his public irreverence toward his employer and officialdom.

He became the latest victim of a tradition of dismissing journalists because of their views—a tradition that had been considered the preserve of the state broadcasting sector, which still operates two channels.

Mr. Polac was told Tuesday that he was being fired because of his last two programs, in which the National Commission for Communications and Liberties was criticized and the new head of TF1, Francis Bouygues, was caricatured, TF1 said. The commission oversees broadcasting in France.

It has been common for three decades for French television stations to remove journalists for their political views, especially following national elections. In the past, this was blamed on the fact that all the channels were state-owned.

A consortium led by Mr. Bouygues was awarded control of TF1 in April. The denationalization followed the awarding of licenses to two other privately owned stations, La Cinq and M6.

Mr. Polac's removal as host of "Droit de Réponse," or "Right to Reply," a popular show on Saturday evenings, prompted many protests, but some observers said they thought he brought action on himself.

His program was known for exposing corruption in business and politics.

Mr. Polac has often been attacked for being partial, particularly by critics on the right.

The broadcasting commission had complained in a letter to Mr. Bouygues that Mr. Polac, in a Sept. 12 show, had cast doubt on the integrity of its members.

On the show, a lawyer for a radio station that has started a lawsuit against the commission accused some of its members, whom he did not name, of corruption.

During the program, Dominique Janet, a journalist from the newspaper *Le Quotidien de Paris*, warned Mr. Polac that the allegations were "extremely vague and extremely serious."

TF1 said Mr. Polac had acknowledged that he had "gone beyond the admisible limits" and had promised to apologize at the start of his next show but did not do so.

The TF1 statement added that in the next program he insulted Mr. Bouygues in a cartoon drawn during

the show. It showed Mr. Bouygues using a scatological term to pour scorn on his station.

"It is inadmissible that a producer like Michel Polac, paid 100,000 francs (\$16,600) a month, allows himself to criticize and seriously insult the company which employs him on the air," the statement said.

The show dealt with the building of a bridge to the Ile de Re, an island off France's west coast, by a construction firm owned by Mr. Bouygues.

The broadcasting commission was set up after parliamentary elections brought a conservative coalition led by Prime Minister Jacques Chirac to power in March 1986.

On Monday, President François Mitterrand said in the weekly *Le Point* that the commission had not done enough to preserve culture on the air and "nothing to inspire the sentiment known as respect."

Philippe Tesson, the editor of *Le Quotidien de Paris*, said: "I am not going to cry over Polac. He took his risks."

But the head of programming of M6, Jean Stock, described Mr. Polac as "a monument."

Mr. Janet, frequent guest on the show, said that if Mr. Polac's program "was simultaneously the best and the worst, it was at least a piece of freedom."

## U.S. Jet Shoots Down One of Its Own

The Associated Press

**NAPLES** — A U.S. Air Force reconnaissance plane was shot down by a U.S. Navy aircraft during naval exercises in the western Mediterranean, a U.S. Sixth Fleet spokesman said Wednesday.

No one was hurt in the accident on Tuesday during exercises conducted around the Mediterranean

by the allied forces of southern Europe, according to the spokesman Lieutenant David Morris.

He said, a Navy F-14 jet fighter fired a missile that struck the Air Force RF-4C plane, causing it to crash, but that the two crew members in the reconnaissance plane safely ejected and were picked up by the U.S. carrier Saratoga.



603 N. Sepulveda Blvd., Los Angeles, California 90046, Dept. 23, U.S.A.

## WORLD BRIEFS

### India Sends More Troops to Sri Lanka

**MADRAS**, India (Reuters) — India has sent a 1,200-strong paramilitary force to Sri Lanka to back up its 8,000 troops who are enforcing a peace agreement on the island, official sources said Wednesday.

The sources said the paramilitary force was shifted from this city in southern India to the Northern and Eastern provinces of Sri Lanka on Monday and Tuesday and that an additional 1,200 paramilitary troops were expected to be flown there later.

The new troops were sent at Sri Lanka's request to help maintain law and order in the two provinces, where at least 6,000 people were killed in a four-year rebellion by Tamil separatists. The peace agreement, signed seven weeks ago, has been violated repeatedly by militant Tamil guerrillas.

### Burger Says Bork Is Not 'Extremist'

**WASHINGTON** (AP) — Former Chief Justice Warren E. Burger, in an unusual Senate appearance on behalf of a Supreme Court nominee, said Wednesday, "If Judge Bork is not in the mainstream then neither am I."

Mr. Burger repeatedly told the Senate Judiciary Committee at hearings on the nomination of Judge Robert H. Bork that the judge is not an extremist. "It would astonish me to think he's an extremist any more than I'm an extremist," he said.

Mr. Burger said he had never seen a confirmation hearing "with more hype and more disinformation." He said initially he had not thought it would be necessary to testify on behalf of Judge Bork because the nominee was so well qualified. But the former chief justice added that "when the opposition mounted, I sent a message that I would be available."

### 5,000 Protest Noriega in Panama City

**PANAMA CITY** (Reuters) — Almost 5,000 protesters, dancing and chanting anti-government slogans, marched through the capital to demonstrate against the military leader, General Antonio Manuel Noriega.

The marchers danced Tuesday to chants of "Justice! Justice!" while drivers in cars following the procession honked their horns in unison. Panama has been hit by almost daily protests since June, when a dissident colonel accused General Noriega of political murder, vote rigging and other crimes. The general has denied the charges.

Meanwhile, a spokesman for one of Panama's two independent television channels said the government had re-imposed censorship on its coverage of local news, accusing it of broadcasting misinformation. A spokesman for Canal Four said the station would resume transmitting only international news. The channel began reporting local news Monday and Tuesday for the first time since July.

### OAU Meets on Chad-Libya Conflict

**LUSAKA**, Zambia (Reuters) — Five African presidents met Wednesday in Zambia to try to find a lasting solution to the conflict between Chad and Libya, but the Libyan leader, Colonel Muammar Gadhafi, did not attend.

President Hissene Habré of Chad, however, attended the special session of African Unity meeting called by President Kenneth Kaunda of Zambia, who is OAU chairman. Also present were the



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# THE MEAL WAS FINE. THEN THE SAUCE ARRIVED.

Nothing wrong with the sauce, you understand.

In fact, as part of a banquet to celebrate a conference of chefs at the Gothenburg Sheraton, more than the usual care and attention had gone into its preparation.

The problem was that the guest (like most guests in our experience) preferred the sauce served onto his plate. Rather than onto his lapel. (A subtle sauce can look very unsubtle adorning a white dinner jacket.)

Fortunately, the maître d' was a man who looks at such accidents and sees only opportunities.

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replacement. At the same time whisking the sauce-stained garment off to be dry-cleaned.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Seeking a Gulf Peace

### Iran Hangs Back

A quiet and urgent effort is alive at the United Nations to produce a cease-fire and settlement in the seven-year-old Iran-Iraq war. The effort rests on maintaining a consistent approach between the Security Council, especially the two great powers, and the secretary-general. The United States and the Soviet Union are playing, in their ways, the role of enforcers. Javier Pérez de Cuellar is the would-be mediator. The striking thing is not the difficulty of their joint task — that is a given — but the cautious way they share that a breakthrough could be near.

The military incident in the Gulf Monday night produced a great swell of anger on Tuesday from Iran's president, Ali Khamenei. Yet Iran has received scant international sympathy, and Americans seem nervous but generally supportive of this use of the U.S. Navy — the purpose for which it was sent to the Gulf. A boat of the revolutionary guards had just shot up a British tanker. What U.S. helicopters are reported to have hit was a ship of the regular Iranian navy that had been spotted laying mines in international waters and was found to have 10 more mines aboard. After his protest, Mr. Khamenei picked up the discreet discussions that the secretary-general has been conducting with Iran to nail down its response to the unanimous UN peace appeal.

President Reagan, speaking on Monday, had challenged President Khamenei to state "clearly and unequivocally" whether Iran accepts the UN appeal. Iran states nothing clearly and unequivocally. Still, the diplomatic pressure on Iran mount. Iraq gains wider acceptance for its view that a cease-fire confined to sea is unfair and one-sided, and it extends attacks by its superior and practically unchallenged air force. Not all Security Council members are as ready as Washington to press on to a second resolution demanding an arms embargo against Iran. But the case for ending the flow of arms to Iran has never been so forcefully made. The huge political risks that Iran was earlier willing to take in opening arms-for-hostages dealings with the "great Satan" hint at its vulnerability even to a slowing of the flow.

The United Nations resolution offers Iran as well as Iraq great benefit. Of special potential value to Tehran is the unusual provision, one drafted with its requirements in mind, creating a commission to examine how the war began. Iraq already says yes. Iran, increasingly isolated, hangs back.

— THE WASHINGTON POST.

### A Hard-Line Speech

It was Iran's turn to speak on Tuesday before the green marble at the United Nations, and the world waited with unusual anticipation. Would Iran heed the UN call for a cease-fire in its war with Iraq? What would Iran say about its attack Monday on a British tanker? What could Iran say about its vessel caught by the U.S. Navy laying mines in the Gulf? What the

IRAQ  
SAYS YES  
TO A  
CEASE-FIRE  
IN THE  
GULF

— THE NEW YORK TIMES.

## The Japanese Example

Two years ago, when the dollar was sky high, autoworkers' earnings in Japan were two-fifths the American level. In West Germany they were less than two-thirds those of Americans. Now, with the drop in the exchange rates, earnings in the Japanese auto factories are nearly three-quarters, and in West Germany they are equal to those paid in America. The swing in currency values has given the American automakers an enormous opportunity. They no longer carry the burden of large wage differentials that they carried through most of this decade. But to make the most of this turn in their fortunes, the companies and the United Auto Workers have to keep American wages under tight restraint.

Ford's new contract with the UAW does that. Departing from a long tradition, it gives first importance to job security instead of wage increases. In a company that has cut its labor force almost in half during the past decade, security is a compelling issue. Ford and the union have been moving in that direction for some years, but this contract promises a degree of assurance that earlier attempts were unable to deliver.

In return, the union has offered a new flexibility in work rules. It will be some time

— THE WASHINGTON POST.

### Other Comment

#### For Coordination in the Gulf

In political, moral and perhaps legal terms the U.S. Navy's action is well justified. The threat which [Iran and Iraq] have posed to neutral shipping in the Gulf is intolerable. There is a serious risk of Iranian retaliation against Washington. The need for coordination between countries with an interest in the region has never been stronger. This has been the most serious clash between Iran and any big power since navies increased their activities in the Gulf. One must hope that it will serve as a salutary shock to everyone's system. It reinforces the need for an arms embargo on both countries and should strengthen the resolve of those who are struggling to bring this ugly conflict to an end.

— The Times (London).

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### The Thao Looks Clever and Reversible

American publishers who met with Soviet writers and editors during the book fair were struck by the pleas for help in supporting glasnost and perestroika, or restructuring, as the alternative. "It's like spring," said one official. "But we are worried that it may not last. If glasnost fails, things will be worse than before."

A heartfelt cry, and a clever one. Except for some irreconcilable Stalinists in the Writers' Union, Mikhail Gorbachev has successfully enlisted the Soviet intelligentsia to back his reforms. Freedom to publish has not yet been realized but writers are no longer afraid to speak their minds.

The Soviet intellectual class seems willing to be co-opted — after all, what is the alternative? — and it is a much more pliable ally than the military, agricultural and industrial sectors of society. "Gorbachev," the émigré Vladimir Voynovich has written, "calls on the people to make perestroika irreversible, but he hasn't taken a single irreversible step himself."

— Ashbel Green, an editor at Alfred A. Knopf, in the Los Angeles Times.

The KGB has not forgotten how to

Reading newspapers and watching the news on television, I was struck by how much remains tendentious, defensive and as clearly ideological as ever.

Official propaganda can still be incredibly crude. On sale in the Foreign Ministry book stall was a volume published by the Juridical Press in 100,000 copies, "Murder in Jonestown: Crime of the CIA." It argued that the Guyana tragedy in 1978, when followers of the Reverend Jim Jones took cyanide, was the work of U.S. intelligence. It asserted prominently that I, as foreign editor of The Washington Post at the time, was acting for the CIA and was instrumental in the massacre.

The KGB has not forgotten how to

Children

— The writer, an editor at Alfred A. Knopf, in the Los Angeles Times.

## OPINION



## Middle East: The Power Cards Have Been Re-Dealt

By William Pfaff

**B**ARCELONA — Slowly, ever so slowly, the United States moves toward an acknowledgment that Syria and the Soviet Union now have to be dealt with in any Middle Eastern settlement. Nothing fundamental will be accomplished without them. This is a serious policy reversal for the United States, but it is not necessarily a development for the worse, as influential circles in Israel already recognize.

A weekend's intense discussion with Israelis and Arabs at a conference of the International Institute for Strategic Studies — an occasion for professionals to talk frankly across national and ideological barriers — left one with both a conviction of change and a sense, however slight, of opportunity.

Syria is in Lebanon today because of its belief that Syrian security is at stake. Since 1973, when civil war began in Lebanon to expel the Palestine Liberation Organization and put the Christian Phalangist Party into power as its client, the United States backed that plan, which failed, at heavy cost to all. Israel retreated from Lebanon in 1985, wounded and wiser.

Realists in Israel now say that if Israel cannot pacify Lebanon, some must, even if it is Syria. In effect, they say to the Syrians: Welcome to Lebanon, much good may it do you. Leave us our security zone; keep your distance from our frontier.

But can Syria pacify Lebanon? The prudent answer is that if the Syrians cannot do it, no one can, but that the job probably is beyond the capacity even of the Syrians. Lebanon now internalizes — encapsulates — the deepest conflicts of the region. To detach the specifically Lebanese ele-

ments, to deal constructively with them, is probably no longer possible.

But neither Israel nor America has a strong position. Iran, which sponsors the radical Shiites in Lebanon, has no solution, either, since the moderate and Sunni Muslim communities, the PLO, the secular nationalists, the Druze, the Christians — all are against them.

No community can seriously expect to establish itself over the others. Each will fight to keep the others from ruling. Syria's advantage is that it sponsors a small community, tolerates all and is ready to subvert or betray each in the interest of its own dominance.

Moscow is returning in strength to Middle Eastern diplomacy because Washington is no longer a credible mediator among the region's contending parties. When Anwar Sadat expelled the Russians from Egypt in the mid-1970s, America moved to sponsor the "moderate" Arabs as well as Israel, and thus arbitrate the region's conflicts. It is assumed that no settlement is possible without Soviet recognition, without real influence.

But the United States failed to produce a settlement that went beyond the Camp David agreements between Israel and Egypt. And the Reagan

administration, once in office, shifted U.S. policy to one of virtually unquestioned support for Israel.

When Mikhail Gorbachev came to power, Moscow muted its support for radical Middle Eastern forces and cultivated influence among the other Arabs, whose confidence in America had faded. There have been overtures to Israel. There is now a widening support in the region for an international conference on the Middle East in which the Soviet Union would play a prominent role. It is assumed that no settlement is possible over the years, but it called for fine judgment, sensitivity and an absence of nationalism.

Second, UNESCO was put in charge of organizing intergovernmental cooperation in areas in which governments often have nothing or very little to say. How do you organize intergovernmental cooperation in the social sciences? Where are the ministries of social science? How do you organize such cooperation in the fields of communication when, in many countries, it is considered vital to the health of society that governments should have very little control over information? The same holds for culture once one goes beyond the superficial level of "exchanges."

Third, UNESCO was virtually the only agency not created to take charge of a big well-defined international system. If there were no Universal Postal Union, it would have to be invented; coordination of the world's postal services into a coherent system requires it. If there were no International Telecommunication Union, the same would be true.

UNESCO, on the other hand, was put in charge of areas — education, science, culture — that do not represent discrete systems at the international level. It therefore never had the same clear-cut management function, nor as well-defined a sense of limits.

These three characteristics have made UNESCO the most vulnerable of all international organizations. The crisis that it now faces results from the combination of these inherent weaknesses and the disastrous management provided by its current director-general, Amadou Mahtar M'Bow, a Senegalese.

It has been a despoil management, demonizing the secretariat and alienating many member countries. It has been an ideological management, deliberately substituting confrontation for cooperation. It has been a reckless management, wasting scarce resources and dissipating goodwill. The public image of the organization is catastrophically bad. It damages the whole cause of international cooperation by confirming the prejudices of its opponents.

If it does not want to destroy the organization, the executive board must emphatically reject the idea of a third mandate for Mr. M'Bow. He has said that he will not seek a third term, but if the board does not unite behind one of the many able candidates for the job, he is likely to get it anyway. That would spell the end of UNESCO.

The executive board should propose a candidate of unchallengeable integrity whose commitment to international cooperation, the free circulation of information and the defense of human rights would bring back the United States and Britain. It should propose a candidate capable of bringing the organization back to a program centered on "conflict-free zones" such as the promotion of scientific cooperation and the fostering of literacy.

Such a person — no matter where he or she came from — would easily be elected in November by the general conference and turn the page on a tragic period in the life of UNESCO.

The New York Times

cal folklore that every politically literate hearer immediately recognizes the allusion. That cannot be said of Mr. Biden's unconscious borrowings.

To find a presidential-class orator who wrote most of his own lines, you would have to go back to Woodrow Wilson, and before him to Abraham Lincoln, the only writer of stylistic distinction ever to occupy 1600 Pennsylvania Avenue. Before that, the certifiable masters of their own words were few: the two Adamses, Jefferson and Madison.

But the problem now has sunk well beyond mere ghostwriting. In the past, you could safely assume that even borrowed lines accurately reflected the thought and character of the speaker. No longer. Mr. Biden, mimicking Mr. Kinnock's tear-jerk lines about his long-suffering ancestors in the coal mine, is simply engaging in a filmfest. Biden's ancestor is known to have been a miner, although he was once a mining engineer.

In fact, all this hand-me-down stuff is no more an authentic reflection of the speaker's character than a playcript is of an actor's. It is calculated to sound the cliché of the hour, to create an effect, to manipulate emotions. And often the effect is pernicious, inflating public expectations well beyond the capacities of anyone so essentially characterized as to parrot the leftover speeches of others. Far from being inspiring, it is far from short of political decadence.

Washington Post Writers Group

## Moscow Book Fair: A New Mood Amid Old Worries

By Peter Osnos

**N**EW YORK — There is a wonderful Russian slang expression, *pokazuka*, which means "show," as in the empty gestures used by Soviet officials in the past to deceive foreigners looking for signs of reform — a small edition of a previously banned poet, for instance, with most copies sent abroad. A decade after leaving Moscow at the end of a three-year tour as The Washington Post's correspondent, I went back to the Soviet Union eager to learn whether Mikhail Gorbachev had merely imposed a new, improved model of *pokazuka* or embarked on something more profound.

The answer is that important and exciting changes appear to be taking place, at least in the sensitive areas of cultural ideology and public relations. But I doubt that the Soviets are abandoning basic principles or beliefs. What we see is a remarkable increase in sophistication and shrewdness — Marxism-Leninism for the media age.

What impressed me most in a hectic week of seeing old friends and official contacts is that across the spectrum, from the liberal intelligentsia to the senior apparatchiks, Russians are invigorated and hopeful. "This is the closest I've ever felt to freedom of speech," said a woman writer in her

department in the Central Committee. In my time as a correspondent, no one got near that powerful institution. This time I called Mr. Shishkin directly. He received us in his office late one afternoon dressed in a natty argyle sweater, speaking good English. Far from being stiff, they envied those among them more or less prepared enough to engage. Now they spoke of opportunities.

Newspapers and magazines were more interesting and daring. Film and theater had revived, and for the first time they could not keep up with all that was available and worthwhile.

I asked one distinguished scientist to compare the situation now with the thaw in the early Khrushchev years which produced such classics as Alexander Solzhenitsyn's "One Day in the Life of Ivan Denisovich." "That was a trick," he said. "This is a flood."

There is no question either but that the message put forth by senior officials — the party line — is much more relaxed than before. Robert Bernstein, chairman of Random House, and I visited almost casually with Nikolai Shishkin, an executive of an ideological

organization. The book fair clearly wanted credit for the political diversity of exhibitors and books being shown. Yet a Committee of Experts still seized more than 50 titles and kept 20 despite protests all around.

One book taken was a Russian translation of "Gorky Park," the American best seller of a few years back in which the hero is a Moscow detective.

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The KGB has not forgotten how to

be nasty, either. Andrei Sakharov and his wife, Yelena Bonner, have returned to Moscow after eight years of exile in Gorky. They are in good spirits and encouraged by Mikhail Gorbachev's words and actions. Yet a day after Mr. Sakharov complained publicly about the cancellation of a French-sponsored seminar on physics, in which he was to be a principal speaker, someone shattered the rear windshield of his car. "It was just a KGB reminder," said Mrs. Bonner.

&lt;p



# Blacks' Scores Rise On Admission Tests For U.S. Colleges

By Edward B. Fiske  
New York Times Service

**NEW YORK** — Black high school students across the United States are making steady gains in the scores they achieve on standardized college admission tests, the two major testing agencies have reported.

The rise in the average scores of blacks and other minority students contrasts with those of white students, whose scores are now at the same level as in the mid-1970s, the agencies reported.

After several years of pessimistic reports of a declining minority presence in higher education, the rise in black scores, coupled with a substantial increase in the number of black test takers, was viewed as a positive sign.

"We are seeing stronger black preparation for college," said Donald M. Stewart, president of the College Board, one of the testing agencies.

At the same time, he noted that while the scores of black students had increased significantly, their scores were still far behind those of white students.

Mr. Stewart added that the narrowing of the gap between black and white students was encouraging, but the pace of change was "alarmingly slow."

The slow pace and the still-lagging achievement remain "a matter of national concern and intervention," he said.

"At the current rate of increase," he added, "it will be 45 years before there is parity of black and white scores."

Data from the College Board and from American College Testing, publishers of the other major battery of admission tests, offered some insights into several current issues in higher education. Among the findings were these:

• Both agencies reported substantial increases in the number of students taking the tests, suggesting that a larger percentage of students were aspiring to college.

• As in the past, men got higher scores than women, on the average. But the testing officials reported that the women got significantly higher grades in their classes.

• An analysis of student questionnaires showed that a substantial majority were taking academic courses that met the "new basics" recommendations of a key panel of educators. Furthermore, most test-

taking students reported some experience with using computers.

The College Board reported that from 1977 to 1987 the average scores of black students on its Scholastic Aptitude Test rose by 21 points on the verbal section, to 351, and by 20 points on the mathematics section, to 377, on a scale of 200 to 800.

American College Testing reported that the average composite score of blacks on its tests rose from 13 in 1986 to 13.4 this year on a scale of 1 to 36, continuing a trend that began in 1975 when the average was 11.9.

The testing agencies also reported that average scores, which declined sharply in the 1970s and then began rising in the early 1980s, once again have leveled off.

The College Board reported that from 1986 to 1987 the average score on its Scholastic Aptitude Test, taken by more than a million students, dropped by a point, to 430, on the verbal section but rose by a point, to 476, on the mathematics section.

American College Testing reported that the average composite score on its tests in the last year had decreased by one-tenth of a point, to 10.8.

The College Board reported that although the increases have not been as large as with blacks, the scores of other minority group students have risen steadily over the last decade on both parts of the test. American Indians, for example, increased their averages from 390 to 393 on the verbal section and from 421 to 432 on the mathematics section from 1977 to 1987.



Oscar Arias Sánchez

# Arias: Determined Peacemaker With Daunting Task

By Stephen Kinzer  
New York Times Service

**MANAGUA** — Several months ago, President Oscar Arias Sánchez of Costa Rica was struck by an idea while reading a biography of Franklin D. Roosevelt.

Roosevelt, according to the biography, often resolved conflicts among his advisers by locking them in a room together and not allowing them to emerge until they had reached an agreement. Mr. Arias decided that he would use that tactic to try to produce a peace accord among Central American countries.

On Aug. 6, Mr. Arias met in a Guatemala hotel suite with the presidents of Guatemala, El Salvador, Honduras and Nicaragua. No advisers were present.

After the first few hours of negotiating, a dinner break was suggested.

Mr. Arias vigorously objected, and it was agreed that the presidents would call for room service instead.

The next morning, a weary but jubilant Mr. Arias emerged with a document that many diplomats expected never to see: an accord in which the five presidents agreed to take major steps toward peace.

A few days later, an interviewer asked Mr. Arias what had brought the Nicaraguan leader, Daniel Ortega Saavedra, to the point at which he was ready to make such sweeping commitments to political liberty and freedom of the press.

"My powers of persuasion," he replied with a smile.

Mr. Arias has emerged as a peacemaker in a troubled region. He has also instilled a renewed sense of pride in Costa Ricans, who consider themselves one of the world's most peace-loving peoples.

Oscar Arias Sánchez was born on Sept. 13, 1940, and by all accounts was a precocious child, serious and studious even in his youth.

After graduating from law school in Costa Rica and earning a graduate degree at the London School of Economics, he joined the political science faculty at the University of Costa Rica.

Before turning 30, Mr. Arias was working as a government economic adviser. He rose steadily both in the government and in the National Liberation Party.

In 1978 he was elected to the Costa Rican Legislative Assembly, and a year later he became secretary-general of his party.

Many Costa Rican analysts gave Mr. Arias little chance to win his party's presidential nomination in 1985, much less the February 1986 election.

He had to confront several of the party's elder statesmen in what became a bitter nomination struggle. He won with the support of younger and more liberal party members.

As the election approached and Mr. Arias found himself trailing in the polls, he decided to reshape his campaign and concentrate heavily on the issue of peace in Central America. The issue has a special weight in Costa Rica, where there is no army.

Warning about the danger of regional war and pledging to try to prevent it, Mr. Arias pulled ahead in the polls and won a narrow victory.

Typically for a Costa Rican leader, Mr. Arias is very visible, and it is not unusual to see him driving his own jeep through downtown traffic in San José.

He often holds political meetings at his home, which is normally guarded by a single lightly armed police officer.

When he returned from the meeting in Guatemala where the peace accord was signed last month, he was met by a crowd of exuberant Costa Ricans, many of whom could barely believe what he had accomplished.

Although he was still a bit light-headed himself, he warned his compatriots not to rejoice prematurely.

"Each time we think we have completed a task," he said, "the horizon recedes and we face a greater challenge."

# Abrams, Contra Leader Reject Ortega's Cease-Fire Proposal

The Associated Press

**WASHINGTON** — Elliott Abrams, an assistant secretary of state, has called a unilateral cease-fire announced by Nicaraguan peace plan last month by President Ortega and the presidents of Guatemala, El Salvador and Honduras.

Mr. Abrams, who met Tuesday

with President Ronald Reagan and with members of Congress, said: "I don't think a unilateral cease-fire will be enough. Both parties will have to agree."

President Marco Vinicio Cerezo of Guatemala, while conceding that the Nicaraguan move could be a ruse, urged that the United States "maintain a more open position" toward any peace overtures.

Mr. Abrams also said that Radio

Católica, the Roman Catholic Church station, could reopen immediately. The station was closed by the government in January 1986.

Shortly after Mr. Ortega's announcement, Interior Minister Tomás Borge Martínez announced an end to censorship of the Nicaraguan media.

He said Nicaragua would be able "to express in written or oral form or by television any ideas or information they wish."

Mr. Borge's announcement, following a decision to allow the reopening of the opposition newspaper *La Prensa*, applies immediately to a few independent radio stations that have refrained from carrying

news because of censorship. It raised the prospect that other closed press outlets would reopen.

Mr. Abrams, in an interview Tuesday night, said Mr. Ortega's true proposal was aimed at avoiding direct talks with the contras.

He said there was no possibility of a meaningful cease-fire until the parties "sit down and talk about how to get the shooting stopped."

Since Nicaragua can end an unilateral cease-fire at any time, the proposal is "essentially a call for surrender," Mr. Abrams said.

"What verification does Ortega propose?" he asked. "None. What about restrictions on Soviet and Cuban arms supplies? None."

"It is a trick. It is an effort to meet Arias's call for a negotiated cease-fire with a trick."

## El Salvador Breakthrough

President José Napoleón Duarte said Tuesday that the rebels fighting his government had officially accepted all the conditions for negotiations and had proposed starting the peace talks on Oct. 4 as part of the regional peace effort, The New York Times reported from San Salvador.

It would be the first meeting since November 1984 between the government negotiators and rebel leaders, who have been waging a civil war for eight years.

Spokesmen for the rebels could not be reached for comment at their homes and offices in Mexico and Nicaragua.

But Mr. Duarte said that Mr. Arias had forwarded a letter signed by the leaders of the political and military branches of the rebel front in which they said they were ready

# South African Firm Plans First Family Housing for Miners

By Michael Parks  
Los Angeles Times Service

**JOHANNESBURG** — Anglo American Corp. has announced plans to begin housing thousands of black miners with their families near four of its gold mines.

It would be the first time that large numbers of black miners in South Africa will be permitted to live with their wives and children.

Theo Pretorius, managing director of Anglo American's gold and uranium mines in Transvaal Province, said Tuesday that the company expected that more than 150,000 people, including 24,000 miners with their families, would be housed near mines at Carletonville, Orkney, Welkom and Ondaldaars over the next three years.

As migrant laborers, blacks from South Africa's rural areas and neighboring countries work for 11 to 13 months and then re-

turn home for four to six weeks to see their wives and children.

While at the mines, they are housed in barracks-style hostels. Some live apart from their families for 20 or more years.

This is the legacy of apartheid, said Bobby Godsell, Anglo American's industrial relations chief.

"The idea," he said, "is that 100 years of mining should not produce black working class communities and should not result in permanent black urbanization."

"We are committed to the belief in a nonracial South Africa that allows the establishing of self-sustaining, self-governing communities," Mr. Godsell said.

"What we want," he said, "is for

people to choose how they want to live and how they want to run their own communities."

Anglo American, South Africa's largest mining company, was the primary target of a costly and sometimes violent three-week strike by miners that ended Aug. 30. The workers won demands for higher holiday pay and death

benefits.

Anglo American has already purchased the land and contracted with developers to build the mining communities, either adjacent to the mines or next to existing black townships, according to Mr. Pretorius.

A serious obstacle to the project, according to Mr. Pretorius, is the South African government's refusal to permit miners from Lesotho, Mozambique and other neighboring countries to bring their families with them.

The houses will start at \$10,000,

and mortgages will be provided at 5 percent interest under a company subsidy.

With initial monthly payments for the cheapest house at \$47 a month, virtually every miner will be able to afford a house, Mr. Pretorius said.

An Anglo American survey of 58,000 black miners showed that about 40 percent wanted housing for their families and that the rest, many of them young and unmarried, were apparently content with the migrant system.

A spokesman for the rebels could not be reached for comment at their homes and offices in Mexico and Nicaragua.

But Mr. Duarte said that Mr. Arias had forwarded a letter signed by the leaders of the political and military branches of the rebel front in which they said they were ready

to negotiate a cease-fire under the "spirit" of the regional peace accord, signed Aug. 7.

Without comment, he then handed a copy of the government's peace proposal to a National Reconciliation Commission, which he appointed last month.

## House Approves Aid

The House of Representatives

approved \$3.5 million in humanitarian aid to the contras Wednesday.

From Washington, Speaker Jim Wright, Democrat of Texas, said he ever provided to the insurgents.

The lawmakers, on a voice vote, approved ground rules for debate on a measure to keep the government running, without an approved budget, past the end of the current fiscal year on Sept. 30. The contra aid money was included in the ground rules.

Final passage of the spending

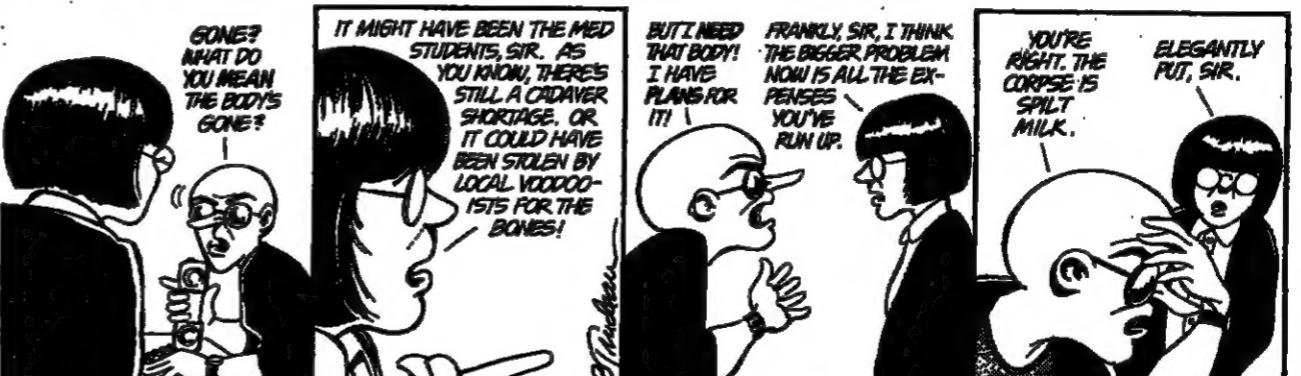
measure, which would keep all other government agencies and programs running at current levels through Nov. 10, came later on a 270-138 vote. The bill, which is supported by the Reagan administration, was sent to the Senate for further action.

## China and Soviet Set Talks

United Press International

**BEIJING** — China and the Soviet Union will hold their 11th round of talks on normalizing relations beginning Oct. 6 in Beijing, a Chinese Foreign Ministry spokesman said Wednesday. The last round of talks was held in Moscow in April.

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## Kohl Says Soviet Remains a Threat Despite Arms Pact

Reuters

HANNOVER, West Germany — Chancellor Helmut Kohl said Wednesday that West Germany could not be content with a super-power ban on medium-range nuclear missiles because the Soviet Union still poses a serious military threat.

Mr. Kohl, speaking at a civil servants' union meeting in Hanover, said that Moscow had a 3-1 advantage over NATO in conventional forces, a 10-1 lead in chemical weapons, crushing superiority in short-range nuclear weapons and 10,000 long-range nuclear warheads.

"All our satisfaction aside," he said, "we cannot rest content with what has been achieved in Geneva in the area of intermediate-range missiles. This agreement is a significant step in the right direction. But we need further progress in disarmament."

"Our security," he continued, "even after the conclusion of an agreement to remove the Soviet and American INF missiles, remains threatened by Soviet military potential."

The United States and the Soviet Union agreed in principle last week on a treaty abolishing intermediate-range nuclear forces, or INF.

A conservative faction in Mr. Kohl's center-right coalition opposed the agreement because it did not include weapons with ranges un-

### Suez Canal Raises Rates on Warships

Reuters

POR SAID, Egypt — Egypt's Suez Canal Authority will impose a 30 percent surcharge on warships heading almost daily from the Mediterranean to the Gulf, officials said Wednesday.

They confirmed a report in the Cairo newspaper Al-Ahram that naval vessels would have to pay the surcharge but said it was not known when the levy would start.

Three Italian minesweepers and a salvage vessel that passed through the canal on Wednesday to join a naval flotilla in the Gulf were not asked to pay, the officials said. Warships normally pay the same as commercial vessels. Tolls are levied according to the size of a ship.

### REBELS: Filipino Army Stymied

(Continued from Page 1)

attempt last month, he said, and that has stretched government forces thinner than ever.

Intelligence specialists put the strength of Communist rebels on Mindanao and the nearby islands at about 6,000. Half of them are said to be armed with rifles and automatic weapons. The others are either unarmed or have only pistols.

To fight the insurgents on Mindanao, the remaining 36 army and marine infantry battalions each have a geographic area in which to maintain control. These areas are subdivided and assigned to companies and platoons.

"This is a small-unit war," said Colonel Eugenio Reyes, who commands the 3d Marine Brigade, with headquarters on Basilan. He has been credited with conducting an active and successful campaign against the Moro insurgency on the Zamboanga Peninsula.

Few officers on Mindanao or in Manila foresee much change in the military situation in the area.

Rodolfo Canioso, head of the National Intelligence Coordinating Authority, calls the conflict a "milling war."

"They nibble at us, and we nibble at them," he said, "but neither side is strong enough yet to really bite the other."

Two of these battalions were moved to Manila after the coup

attempt last month, he said, and that has stretched government forces thinner than ever.

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### U.S. Forced to Evacuate Its Embassy in Canberra

The Associated Press

CANBERRA, Australia — Noxious fumes spread through the U.S. Embassy here Wednesday when batteries powering an electric generator malfunctioned, and 14 people were hospitalized briefly, an embassy spokesman said.

Richard Teare, deputy head of the embassy mission, denied early reports that there was a fire at the building. "A couple of batteries took on too much charge and began swelling too much fumes," he said.

Airlines and airport authorities are studying a variety of methods to automate and speed baggage handling. "We are looking into all sorts of technologies, such as magnetic strips and bar codes," Mr. Kyd said. "Some airlines like one, some the other. There is no agreement yet."

Mr. Gordon of the airport operators' council said big increases in automation were around the corner, partly because of the expansion in the industry and partly because of new rules drawn up by the International Civil Aviation Authority in Montreal that require ev-

## Sooner Than Expected, Ethiopia Is Again Gripped by Drought

By Blaine Harden  
*Washington Post Service*

MAKALE, Ethiopia — Gebre Miriam Eshewot has done what good Ethiopian farmers are supposed to do.

When the rains came in May, he planted corn. When the rains failed in July and his corn died, he plowed it under and tried again. He planted teff, a short-season grain. But again the rain, after spattering for 22 days in August, failed.

"From now onward, there is nothing to be harvested," Mr. Gebre, 46, said last week. He stood in a field of teff, which by mid-September should be knee-high and flowering. Instead, the spindly crop was three inches high.

"It is hopeless," Mr. Gebre said. "God wants to punish us. God is angry."

Mr. Gebre's fields are in the highlands of Tigre, the heart of Ethiopia's famine region. Records dating back to 1930 show that every 5 to 10 years, there is drought and famine in these rocky highlands. Tigre's farmers like Mr. Gebre expect it.

What they do not expect, what they ascribe to divine retribution, is that widespread drought should strike just three years after the drought of 1984, which is believed to have been the worst of the century.

About 1.4 million people in Tigre were destitute then. More than 120,000 of them descended on the regional capital, Makale, starving, diseased and oddly passive; they died at a rate of more than 100 a day as they waited for someone to feed them.

The drought situation is more or less the same as it was in 1984," said Brother Caesar Bullo, who now, as then, coordinates emergency operations in Tigre

for the Roman Catholic Secretariat. "The difference is that this year there is a famine-relief structure. There is a food distribution system and there is time.

"If we can get food and send it outside to the farms, we can avoid the creation of the shelters where so many people die."

Tigre and Eritrea, the two northernmost regions of Ethiopia, are again the hardest hit parts of this country as drought has forced the government to appeal for nearly a million tons of food aid.

A survey in August by a team from the U.S. Agency for International Development reported a total crop failure in Eritrea and a 75 percent crop failure in Tigre. The regions have a combined population of about 5.1 million people.

Most people in Eritrea and Tigre are thought to be in a predicament akin to that of Mr. Gebre.

He has little food left in his house from last year's good harvest. His wife and four children are not yet hungry or sick. But he said that unless they could get food, they soon would be.

The food emergency in Ethiopia, which may require as much outside food aid and transportation equipment as the huge famine relief operation in 1984-85, does not yet have the emotional hook of severely malnourished people.

"If you don't have some nice pictures of starving children, I don't know how the public will respond," said Jean-Jacques Presard, chief delegate in Ethiopia for the International Committee of the Red Cross.

"There may be a problem of getting food this time."

The United Nations' World Food Program said that "dramatically increased" food aid needs in Tigre would start in November and continue until November 1988.

The U.S. Embassy in Addis Ababa has sent an

emergency request to Washington for 115,000 tons of food to be delivered around the first of the year. The European Community and the World Food Program are preparing a similar request for 85,000 tons of food.

Expected delays in overland delivery of food to Tigre this year have already prompted the International Committee of the Red Cross to prepare to resume emergency airifts to Makale. The airlift was used extensively in 1984-85.

The abrupt end of the August rains after 22 days came after a July drought. The drought was widespread throughout Tigre and Eritrea, and it was total without a day of rain.

Like almost all farmers in Ethiopia, farmers in Tigre are dependent from year to year on rain. They use little fertilizer or improved seed. Even after a very good harvest, like the 1986 harvest, most farmers store no more than a year's supply of food.

"For us the limiting factor is the rain," said Habu Twolde, regional director of the government relief commission. "If there is no rain, there is nothing."

The July drought started a panic over food prices. The price of grain and fruit doubled in the Makale market as farmers began to hoard. The price of meat dropped by half as farmers began to sell livestock by which they feared would be unable to feed.

The drought caught Tigre in the midst of building small dams and gullies that are supposed to help ease the effect of the next famine — the one expected in about eight years, not the one in 1984.

Although the drought has limited the amount of water there is to catch, the dams are likely to help more people and livestock survive in 1988 than in 1984-85.

The dams were built under food-for-work plans in which farmers are paid about seven pounds of grain for a day's work. The program has been used with success across Ethiopia in the last three years as a way of feeding destitute people without fostering dependence on handouts.

### India Police Detain 20 in Sikh Temple

United Press International

AMRITSAR, India — About 1,000 security personnel Wednesday entered offices and hostels surrounding the Golden Temple, Sikhs' holiest shrine, destroying 20 Indians in the fourth raid since the army assault on the shrine in June 1984.

The police in the Sikh holy city of Amritsar, 250 miles (400 kilometers) northwest of New Delhi, said security forces surrounded the complex at 4:30 A.M. before going in through several entrances.

They said about 1,000 policemen and paramilitary personnel, including senior officers and magistrates, met no resistance during the two-and-a-half-hour operation to arrest Sikh extremist leaders who had reportedly gathered for a festival.

The police said the militant All India Sikh Students Federation planned to pay tribute Wednesday to more than 600 Sikhs who died during the army assault on the shrine in June 1984 to flush out heavily armed separatists.

Since that assault, which prompted the retaliatory assassination of Prime Minister Indira Gandhi five months later by two Sikh security men, there have been two other major raids on the complex, in April 1986 and June 25.

The police say the militants have been using the temple as a staging base for their drive to turn Punjab into the independent Sikh nation of Khalistan, a campaign that has claimed more than 700 lives this year.

Officers did not enter the Parikrama, an inner courtyard of offices that surround the holy pond and the temple itself, as they did in the June 1984 and April 1986 raids. They instead raided administrative offices and hostels, where they were reported to have captured 20 members of four main militant groups and to have seized a pistol and 50 bullets.

"Most of the militants managed to slip away into the Parikrama of the holy shrine," said Baldev Singh, police superintendent of Amritsar. "But the forces did not stop inside the Parikrama, keeping in mind the sentiments of the Sikh community."

Ehan Singh, secretary of the committee in charge of all Sikh shrines, said the police "broke the locks of more than 50 rooms."

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### Democrats Seeking to Limit U.S. Presence in Gulf

By Steven V. Roberts  
*New York Times Service*

WASHINGTON — Democratic leaders in the Senate have announced that they are drafting legislation that would place significant limits on the U.S. military presence in the Gulf.

Senator Robert C. Byrd of West Virginia, the majority leader, said Tuesday night that the new measure was not yet in its final form.

But a spokesman for the Democratic leadership said the bill, if enacted, would probably set up a mechanism under which Congress would review early next year the Reagan administration's policy of having navy vessels escort oil tankers in the Gulf.

[President Ronald Reagan said that "I think Congress would be making a great mistake in putting any limit on that kind of."

The driving force behind the

measure, the Democratic spokesman said, "is to find legislation that can be offered as an amendment to the military authorization bill."

Democratic leaders are convinced that any legislative effort

directing Mr. Reagan to invoke the War Powers Act in the Gulf would probably fail. On Friday, the Senate defeated such a measure, 50-41.

The driving force behind the

measure, the Democratic spokesman said, "is to find legislation that can be offered as an amendment to the military authorization bill."

The new effort on Capitol Hill was prompted by Mr. Reagan's assertion Tuesday that the U.S. helicopter attack on an Iranian freighter in the Gulf would not cause him to invoke the War Powers Act.

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The driving force behind the

The top three Japanese banks have registered this year.

According to the financial secretary's August quarterly report, assets of Cayman-managed banks have surpassed the \$200 billion mark. Of the 505 banks registered at the time the report was issued, over 60 are licensed as full-service offshore banks. The rest, the so-called "managed banks," act through agents.

Cited as the largest offshore banking center in the world by *Forbes Magazine* in a May 1987 issue, Cayman is also one of the most diverse and innovative.

In the Bahamas, the second largest offshore financial center, there are only 377 registered banks with assets totaling about \$150 billion. And in Luxembourg, a rapidly growing financial center, there are only 32 recognized banks and financial institutions with assets totaling 8,000 billion Luxembourg francs (\$214.6 billion).

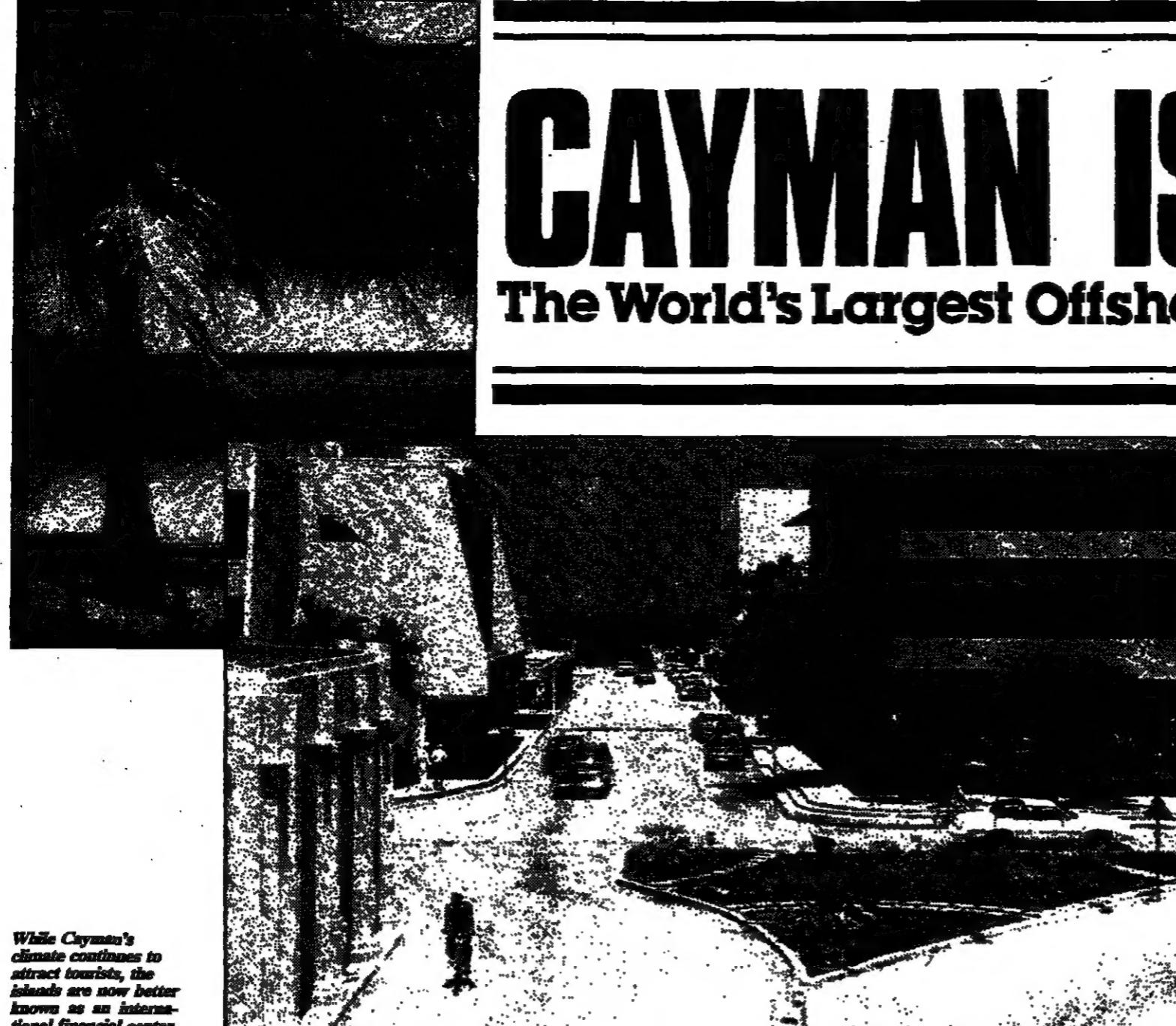
"The Caymans can now claim a banking role traditionally held by Switzerland — a role that demands legal, accounting, investment and actuarial expertise along with state-of-the-art banking technology," said Eric Crunchley, the president of the Banker's Association and manager of Barclays Bank.

Among the reasons for the current upsurge are the difficulties encountered by banks in other jurisdictions. In particular, the recent instability

(Continued on Page IV)

# CAYMAN ISLANDS

## The World's Largest Offshore Banking Center



While Cayman's climate continues to attract tourists, the islands are now better known as an international financial center.

CAYMAN has been rediscovered. As the trend towards the globalization of banking and finance steams ahead, Cayman's offshore banking industry has become something of a New World for financial markets. And with the signing by the United Kingdom, the United States and the Cayman Islands of the Mutual Legal Assistance Treaty in July 1986, Cayman has emerged as a major international financial center.

As recently as last year the Caymanian banking community faced a degree of uncertainty concerning the effects of the treaty, which stipulated the mandatory sharing of information in cases of mutually recognized crimes. Covering the strictest confidentiality legislation of any country in the world, Caymanian bankers feared a diminution of investor confidence.

Quite the opposite occurred. The rise in the number of new bank registrations, and a 16.5 percent growth in foreign assets over the previous 12 months not only allayed those fears but stimulated a new sense of freedom in creating long-term products and creative services.

"It became clear to us that the international banking community was relieved and reassured by the new treaty," said Thomas Jefferson, who as Financial Secretary is one of three cabinet members appointed by the Caymanian governor. "There is nothing that banks regard more highly than their reputations. This has opened the doors for us to a larger world of banking services."

In fact, 20 of the world's 25 largest banks, including each of the top six, are now registered in the Cayman Islands.

Financial Secretary, Anthony Duckworth, an attorney who inspired the new law, and Humberto Pacheco, a senior law partner in Costa Rica, will discuss the new law from the perspective of civil law countries. Peter Crook, Inspector of Banks, and Peter Bates, Superintendent of Insurance, will also lead discussion groups.

### Tax Conference Covers Crucial Issues

A major international tax planning conference will be held in Grand Cayman November 4-6, 1987. The conference will present the whole spectrum of the financial industry in the Cayman Islands to an audience of tax, legal and other professional consultants and corporate representatives from Europe, the Far East, Latin America and United States.

"The conference will give a broad view of tax planning and the advantages of the Cayman Islands in everything from tax-effective investing in U.S. real estate, the managed bank concept, captive insurance, and much more," said Eric Crutchley, managing director of Barclays Bank (Cayman) and president of the

Cayman Islands Bankers' Association, sponsor of the conference.

The Cayman Islands will be discussed as the complete safe haven for asset protection and as an ideal base for trust and company administration. The conference will explore such

topics as: the Modern Cayman Company Law, the "Managed Bank" concept, the use of Cayman as a base for mutual funds and unit trusts, and captive insurance.

The conference will suggest ways for people from civil-law countries to set up

trusts. With a seminar on "Forced Heirship and the Cayman Solution," which is also pertinent to civil-law jurisdictions, the conference will explain the significance of the new 1987 Trusts (Foreign Elements) Law. "The new law makes our conference particu-

lately relevant to people from civil-law jurisdictions in Europe or wherever," said Peter Tomkins, chairman of the conference organizing committee. "This is particularly true for tax experts and also high net-worth individual investors from Latin America

where not only is there no trust law but there are also foreign exchange controls and economic difficulties."

Chairing the conference will be J. Milton Grundy, an English barrister and president of the International Tax Planning Association. Other speakers include Cayman Islands Governor Alan James Scott and Thomas Jefferson,

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## ADVERTISING SECTION

**The Key to Offshore Success**

Financial Secretary Thomas Jefferson

**G**IVEN the nature of business in Cayman, it is not surprising that the most central figure would be that of Financial Secretary. No single position is more instrumental in seeing that all the varied parts of this complex financial industry fit together into a single whole. Thomas Jefferson, who has held this key post for the past five years, talks about the job and its responsibilities.

*Will you explain the importance of the position of Financial Secretary to Cayman?*

Because the Inspector of Banks and Trusts, the Superintendent of Insurance and the Registrar of Companies all report to him, the Financial Secretary takes ultimate responsibility for all aspects of Cayman's financial industry. He is the spokesman to the government for the financial community, and sometimes vice versa. The Financial Secretary is a member of the economic council, which consists of the governor, four elected members and three officials — myself, the Attorney General and Administrative Secretary.

*How do your goals and objectives, and those of the government in general, relate to Cayman's role as an offshore financial center?*

Our aims are mainly synon-

ymous with those of the private sector; we all wish to see the financial sector develop so that it will provide a good standard of living, education and health for the people of the Cayman Islands. The government and private sector, through various committees which I chair, work very closely together to achieve this end. Of course our business concern is to realize profit. Therefore, on the government side we developed a five-year plan along with the Inspector of Banks. This is due to expire in 1990, so we are updating it.

*In 1987 the Caymans became the largest offshore financial center. Do you now foresee continued growth or consolidation?*

I think a period of consolidation took place in 1984 and 1985 when the world's economy was not in the best shape. It gave us a chance to look at our weaknesses and strengths and to formulate the directions in which we wished to go. Now, since the latter half of 1985, we have had an upsurge in growth, and I think that is likely to continue. Like any country, we have cycles and we are affected by the worldwide economy, by what happens in the United States and the U.K. and elsewhere.

*Do you then believe there will be continued growth in the financial sector?*

Yes, because I think the world of finance is continuously getting smaller. Of course when you have 500 banks you ask yourself how many more are out there to attract? But we continue to receive inquiries and some areas that have not heavily turned to offshore centers may now start to do so.

At the same time I think that more use of the banks which are already here is likely to take place. That will mean increased volumes of work, an increase in the number of transactions flowing through Cayman. Some of the banks

already here, holding "A" licenses, or unrestricted "B" licenses, are establishing their own offices here, in order to do portfolio management and trading, etc. I think that this will account for a lot of growth in the next five years.

On the insurance side, I think the field is wide open. While some countries have treaties, establishing themselves as insurance centers (like Barbados and hopefully Bermuda), Cayman's business does not depend on a treaty and we have grown to be the second largest offshore captive insurance center in the world.

Although I am more familiar with the insurance crisis in the United States, I understand that the crunch is growing in the U.K., in particular and elsewhere as well.

The whole insurance business is risky, and I think that is likely to continue. Like any country, we have cycles and we are affected by the worldwide economy, by what happens in the United States and the U.K. and elsewhere.

*The fiscal position of the government is extremely sound, with a \$90 million budget and debt of only \$9 million — requiring a debt service of only 3 cents on the dollar. That is an extraordinary achievement, particularly considering all the construction and development going on in Cayman today. How do you explain it?*

In the world of finance, I believe that you have to use all of your skills and techniques to ensure that people do not spend more money than they can afford and this should apply to government too. A country earns only a certain amount per year, and you have to prioritize the number of projects and ensure that a certain number are revenue earn-

ers. The Cayman government and public have a built-in philosophy that says we must balance our budget and have a modest surplus. That means not borrowing more than you can afford because servicing those loans puts a strain on the budget.

*There seems to be a desire not to overdevelop Cayman. What are the restraints?*

It is correct to say that we do not wish to overdevelop. We are wrestling with something that few countries in this day and age need to think about — growing too fast. We are growing at a rate that is too fast for our children to be serviced, educated, grown up, and claim the jobs that are being created for them. With a significant growth of 10 percent you can wind up with more expatriates than Caymanians. It is not a matter of not wanting strangers, but of

wanting to preserve what we all like so much about living in the Caymans.

*It is the environmental aspect, the traditions and ease of life that we are a little concerned about.*

*The Mutual Legal Assistance Treaty has been a major development over the past year. Will you explain the ramifications of the treaty?*

The move we made in 1984 to sign the "Narco" treaty which the U.K. signed on our behalf with the United States really said to people, "If you are dealing with drugs, do not come to Cayman." Nobody wants that unsavory money and we are telling those involved with it that they cannot hide behind our confidentiality laws which is a valuable and legitimate protection for respectable business.

In the 1984 treaty we undertake to assist the U.S. on the investigation and prosecution of a wider range of cases of common criminality including such offenses as insider trading and fraudulent practices.

*What about the debts of international finance? Does all this contribute to the success of Cayman?*

The new treaty makes it clear that our financial center is not interested in that kind of business. We have come a long way since the 1960s when we had almost nothing here.

*I understand that the "assistance notices" — requests for information in criminal cases — has diminished to almost zero. Is that accurate?*

The new treaty makes it clear that our financial center is not interested in that kind of business. We have come a long way since the 1960s when we had almost nothing here.

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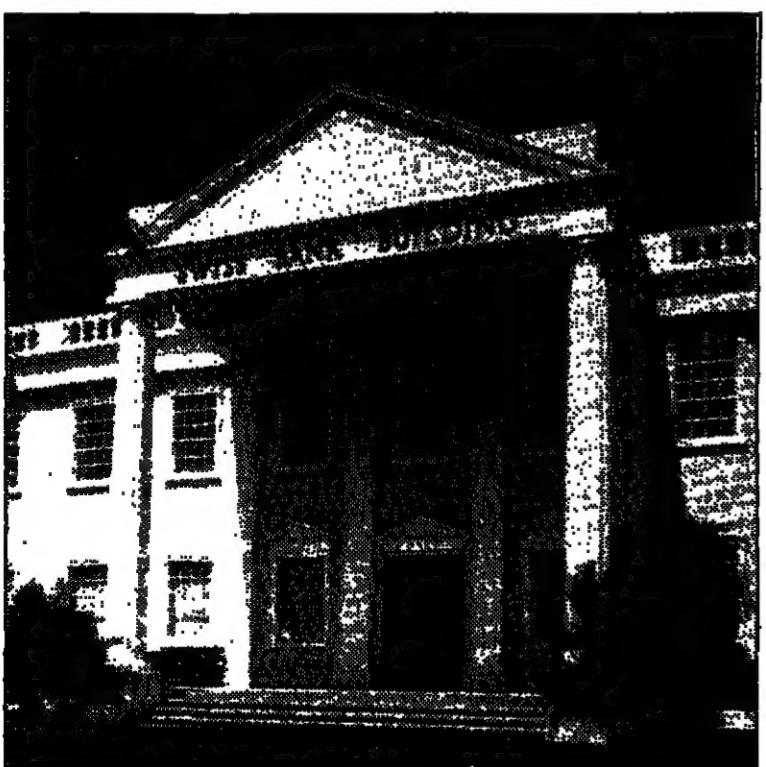
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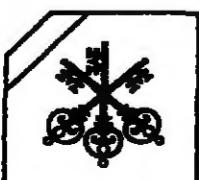
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**"When you have 500 banks you ask yourself how many more are out there to attract? But we continue to receive inquiries and some areas that have not heavily turned to offshore centers may now start to do so."**

I think what has happened is that over the period from August 1984 when the narcotics agreement came into effect, we have had a maximum of 60 notices to assist out of the tens of thousands of transactions that have been made here. Most of those notices came at the beginning and represented a backlog of cases. Since then the number has tapered off dramatically, and it is true to say that very few if any have been coming in recent days. All told they have added up to 64 notices, but very few are of recent origin.

*To what specifically do you attribute Cayman's growth?*

Our stability, our tax-free climate, our absence of restrictions on real estate ownership, our currency movement, as well as our confidentiality law, all played important parts in building our financial industry.

Five years ago, when I took office we saw a need to look at our regulatory systems and the responsiveness of our legislature. We moved on to legislate regulations that show we are not out for numbers but for quality business. We will not even accept certain amounts of money. At the same time many of the banks are now creating marketing sections because what we want is quality business.

There are also, as always, administrative problems to consider. Cayman has about 505 banks but, of these, only 64 have an actual physical presence. The remainder operate outside the island, where the majority are branches or subsidiaries of major banks.

It is noticeable that those coming to Cayman are the major international banks. It is not impossible for small private banks, but it is not as

### Regulations Minus the Red Tape

**W**HAT is the purpose of an Inspector of Banks in a place without taxation or foreign exchange controls, where confidentiality is protected by law and freedom from restriction is the hallmark of a successful financial services industry?

The answer is simple. The regulatory role is one of the most important factors in the success of Cayman as an offshore financial center. The Inspector of Banks is loaned temporarily to Cayman through the International Monetary Fund with the objective of developing Cayman as a major banking center with standards as high as any other center in the world.

There are also, as always, administrative problems to consider. Cayman has about 505 banks but, of these, only 64 have an actual physical presence. The remainder operate outside the island, where the majority are branches or subsidiaries of major banks.

Others were lost, mainly due to consolidation or mergers; none left because of dissatisfaction. On the contrary, the more Cayman tightens up the regulatory system, the more the big banks come.

The Inspector of Banks is there to protect deposits, and to make sure that all the banks that come into the Cayman Islands are prudent. At

Peter Crook, the Inspector of Banks

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**"Together with its very stable government, Cayman has developed a momentum which seems to be almost self-perpetuating."**

**M**ANY countries are looking to Cayman as a model of how to run an offshore financial center. This is because Cayman has been able to maintain its independence from both the United States and the United Kingdom, and to develop its own unique set of laws and regulations. Cayman's success is based on its ability to maintain a balance between its desire to attract foreign capital and its commitment to maintaining a stable and predictable environment for business. Cayman's success is also based on its ability to maintain a balance between its desire to attract foreign capital and its commitment to maintaining a stable and predictable environment for business.

In the global world of finance, you cannot operate just from the metropolitan countries. For banks it has to do with global competitiveness. In the case of insurance, the real reason is very simple. There is too much red tape in the major countries. It has become so expensive, companies need a department just to handle governmental forms.

At the same time, he must not add to the very red tape they are seeking to avoid.

So the law has divided the industry into three categories. For major foreign banks headquartered outside Cayman, responsibility lies with the head office. In the case of the second group — subsidiaries with a physical presence in Cayman — joint responsibility is shared by the Inspector of Banks and head office supervisors. In the case of private banks, the entire supervisory responsibility lies with the Inspector in Cayman.

— Peter Crook, Inspector of Banks.



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## Capturing the Captives

**U**NTIL very recently the world of offshore captive insurance was not only an extremely specialized market, but also a highly exclusive one. Although dating back to the 1920s the concept of the captive, that is, a company setting up its own insurance company for the sole purpose of insuring itself, was only used by a handful of the largest multinational corporations in the world.

Today, however, the practice extends not only to most large corporations, but also to hundreds of smaller companies and even individual professionals, usually coming together in a group, to set up their own insurance company. With the net worth (or capitalization) of all Cayman captives now \$1.1 billion, and annual premium income approaching \$2 billion, risk managers around the world are flocking to benefit from the many advantages of the Cayman offshore insurance industry.

According to Peter Bates, the superintendent of insurance in the Cayman Islands, the sudden popularity of the captive insurance company is a reflection of the more or less permanent change in the worldwide insurance industry, making traditional insurance markets expensive and unresponsive to many risk managers' needs.

In 1979 Cayman enacted its Insurance Law changing Cayman from a non-regulated insurance environment to a regulated one.

"The world insurance market is changing more rapidly and radically than most market observers can ever remember."

ber," said Mr. Bates, who was underwriter for a Lloyd's Syndicate before coming to Cayman in 1984. "The soft market has disappeared, I think, for a very long time, and the market is set for a period of greatly reduced capacity and escalating premiums."

Indeed, most insurance executives believe that the cycle will never come full circle to the easier premium terms prior to the great insurance crisis of 1984.

In that crisis many risk managers found themselves unable to purchase certain kinds of insurance at any

**"The sudden popularity of the captive insurance company is a reflection of change in the worldwide insurance industry."**

price. The most publicized cases concerned medical malpractice insurance. Horror stories such as the last malpractice insurer pulling out of South Florida left doctors, hospitals, and other high-risk



Peter Bates  
Superintendent of Insurance

It was the bottom of the last insurance cycle, and insurance companies were losing a lot of money, especially with the phenomenal awards that courts were granting to malpractice and other claimants. In 1984 the whole market changed. Rates went way up and hundreds of companies pulled out of certain risk areas altogether.

An alternative to the newly expensive insurance, called the "deep pocket theory," inspired a whole slate of captive insurance companies to be set up offshore, and the Cayman Islands became one of the fastest growing offshore captive insurance markets.

There are now 415 captive insurance companies established in Cayman. Their average capitalization is \$1.2 million and their average premium income is \$2.4 million. The largest, with capitalization of \$750 million, is a joint association of 40 or 50 companies.

Simultaneously, a support services industry second to none has grown up in Cayman, including the vital position of superintendent of insurance, the ten largest accounting firms in the world (including all of the U.S. "big eight"), a number of highly prestigious and well-connected legal firms, a sophisticated banking industry with access to all international currency markets, and 31 full-service underwriting management firms.

Some of the latter include Johnson & Higgins, Marsh McClellan, The Transnational Group, which is a subsidiary of the Reinsurance Organization of Shamrock, Ireland, and Samuel Montagu & Co., which is part of the Midland Bank Group of Great Britain.

"During the two liability crises of 1975 and 1984 the

'mainstreet' companies suffered major losses. Their reaction was to wipe out certain policies, regardless of past experience with particular clients. As a result, major corporations and insurers made heavy commitments in joint venture operations," said Donald Westmoreland, president of the Cayman Underwriting Managers Association and managing director of Transnational Risk Management Limited.

"There seems little likelihood that those organizations will be persuaded to abandon their captive insurance companies in the foreseeable future, having once again suffered the extreme cyclical behavior of conventional markets."

While small insurers need the solidity of a big company, the large company is solvent enough to rely on its own captive insurance. This then creates lower administrative costs as well as lower premiums. Secondly, it enables a captive to go to international "wholesale markets" for its reinsurance.

A captive, which is a wholly owned subsidiary of its parent, insures the entire needs of the parent and then turns around and buys reinsurance. Cash flow benefits accrue since premiums are paid quarterly and can be invested for the interim. The captive also earns commission from the reinsurance company.

Most important, the captive gives the insure a degree of flexibility unavailable elsewhere. "If you own your own insurance company, you can write the insurance you want," said Donald Westmoreland.

"Sharing risks is the essence of insurance," said Mr. Westmoreland. "When the big corporations insure their corporations through a joint venture captive, they can then turn to the joint venture captive for most reinsurance. This is the state-of-the-art end of insurance."

**G**eorge Town: fast becoming a global center.

Both in the microcosmic sense, where a need arose for international financial management, and in the macrocosmic sense, which included the beginnings of the international debt crisis in 1982, the offshore financial industry is playing an increasingly indispensable role in global banking.

"It is a noticeable development that those financial institutions now coming to the Caymans are the major international banks as opposed to the small, private banks," said Peter Crook, Inspector of Banks in Georgetown, the capital of Grand Cayman.

This year the three largest Japanese banks (which are also the three largest banks in the world) and four Finnish banks set up operations in Cayman.

They came not only because their chief rivals came, but also because as banks become more and more competitive they wanted to conduct their business in the most profitable location without problems.

Another innovative instrument was created by Schroder's Bank in Cayman, to repackage Perpetual Floating Rate Notes, when that \$18 billion market collapsed earlier this year. As the arrangement stands, holders of these notes borrow the principle and are not required to pay it

back although they pay the interest in perpetuity.

Although an article which appeared in the International Herald Tribune on August 10 reported that there were no buyers for these expensive notes, analysts believe that the project itself was not faulty, but only premature. According to the IHT article, "the concept was the most far-reaching plan to date" to deal with the collapse of that market.

"This kind of creative instrument is a by-product of our coming of age and having achieved recognition," said Peter Tomkins, president of Cayman National Bank.

As enormous as the offshore financial markets have become, the feeling of partnership as opposed to aggressive competition prevails. Most trust companies have their networks and contacts through other jurisdictions and all trust companies provide investment services.

"Since interest rates came down, there is more incentive to invest, and so this is where our security company comes in," said Mr. Sharaf al Hassan, manager of the Bank of Credit and Commerce (BCCI).

"The fact that there is no capital gains tax or profit tax is of course the prime motive for being here," said Richard Fear, managing director of Morgan Grenfell. "At first you would get private investors setting up trusts, but you wouldn't get large capital market transactions, such as issuing floating rate notes, through a Cayman entity." Mr. Fear added, "Those kinds of products were only issued in the major financial centers. Now we have the lawyers and bankers capable of this kind of sophistication, and the issues are being made here."

## Global Banking Stimulates Offshore Business



Georgetown: fast becoming a global center.

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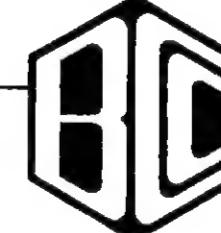
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Cayman offers specific advantages to multinational banks. For example, the Cayman Islands does not place demands on reserve requirements. And bankers also find



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## SCIENCE

## IN BRIEF

## A World on a Grain of Sand

WASHINGTON (UPI) — Two marine biologists have discovered a world in a grain of sand. In this case, the world is a colony of tiny animals called bryozoans that attach themselves to a grain of sand underwater and live out their lives — feeding, growing, reproducing — on a single sand grain.

Bryozoans, which constitute a phylum of their own, are sometimes called moss animals because they live most of their lives clustered together in thick patches fastened underwater to solid surfaces such as rocks and boat hulls.

## The Taste of Fresh Orange Juice

WASHINGTON (UPI) — Cornell University food scientists said that despite state-of-the-art chemical analyses, they still do not know why fresh-squeezed orange juice tastes better than the canned, bottled or frozen versions.

They have, however, been able to rule out limonene, a volatile (rapidly evaporating) substance in the oils of fresh-squeezed juice that most processors had thought accounted for the difference. However, they have isolated several other volatile elements that do seem to account for the flavor difference.

The Cornell researchers, Anna Belle Marin and Terry E. Acree, disproved the limonene theory by asking volunteers to sniff several odors issuing from a special analytic device that separated out the chemical components of juice and pumped them out one at a time. Although limonene at high concentrations has a lemony smell, volunteers could barely detect it at the levels that exist in juice.

## Antibiotics and Salmonella Risks

CHICAGO (UPI) — The practice of putting antibiotics in animal feed to promote livestock growth may be creating resistant strains of Salmonella bacteria that will be difficult to treat in future outbreaks.

Scientists from the federal Centers for Disease Control reported in the Journal of the American Medical Association that they have noticed a marked increase in the prevalence of antibiotic-resistant Salmonella, a bacteria found in milk and meat products and a common cause of food poisoning. Typically confined to the digestive tract, salmonellosis causes diarrhea, abdominal cramps, vomiting and fever.

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The first one, located in the attractive town of Heidelberg in Germany, is for a

## Director — Teroson Europe Technical Centre

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The second position, located in Paris, is for a

## Market Manager Automotive

He will also report to the head of Teroson Europe and have a major influence in the market orientation of Teroson's business philosophy. His main role will be the interpretation of the customers present and future demands from a deep understanding of their needs. This will involve an analysis of market and technology trends and an understanding of their impact on the business, the development and implementation of marketing plans, and the creation of a data base and progress reporting system. He will also coordinate marketing projects and accounts management across the whole European automotive industry.

The candidate should be between 27 and 37 years of age, he should have a university degree in Engineering; preferably also an MBA; 3-5 years sales/marketing experience or production/process development in the automotive industry or a sub-contractor. He must be fluent in English. Other European languages, particularly German and French, are desirable.

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## Electrochemistry to Preserve Titanic's Relics

By Barry James  
*International Herald Tribune*

PARIS — Whether it was moral right to recover objects from the Titanic is a question of debate between those who believe the ship's resting place two and a half miles under the Atlantic should be left inviolate and those who believe the public has a right to see at least a few of the tens of thousands of objects scattered in and around the wreck.

But now that the first objects have been brought to the surface, the question has become a scientific one of how to preserve them.

This week, more than 800 artifacts recovered during a two-month French-American expedition that ended earlier this month were brought to the research laboratories of Electricité de France (EDF), the state electricity utility, where they will be subjected to a lengthy electrochemical process of restoration and conservation.

As long as the objects are kept in salt water they will remain in the same state in which they were found on the ocean floor. But if exposed to the air, they would crumble to dust within days or hours.

This is because salts that have penetrated the metal react with hydrogen and oxygen in the atmosphere to form highly corrosive hydrochloric acid. Other contamination is caused by hydrides, oxychlorides, carbonates and sulfides.

EDF's laboratory, housed in a cavernous factory in Saint-Denis, an industrial suburb north of Paris, has developed remarkably effective methods of electrolysis to leach the contaminating chemicals out of archaeological relics.

After treatment, the objects can be exposed safely to the air and preserved with classic museum methods, such as the application of waxes and sealants.

Electrolysis is a means of producing chemical changes by passing a controlled electrical current through a solution via conductors known as positive anodes and negative cathodes. The composition of the conductors and the chemical solution in which they operate vary according to the material being treated.

A related method known as electrophoresis is used to treat organic materials such as leather. Electrophoresis is the energizing of colloidal particles under an electric field in a fluid. The particles become charged either positively or negatively and are then attracted to the anodes or cathodes. Scientists at the laboratory hope this method will be successful in restoring a 1912 newspaper that was one of the objects recovered from the Titanic.

The electrolysis treatment takes from several weeks to many months, depending on the degree of contamination. The process is basically simple. The chemicals employed are common. The amount of electricity used is minimal — in theory, 150 kilowatts KW would be sufficient to treat the entire Titanic. What counts, according to Jacques Montlucón, the director of research, "is know-how."



Jacques Montlucón, in charge of Titanic restoration, and a metal grill rescued from the liner. Right above, cannon balls destroyed by contact with the air, and below, others after treatment by electrolysis.

The involvement of EDF in conservation arose out of a chance meeting in 1982 between Mr. Montlucón and Captain Max Guérat, a marine archaeologist.

"It so happened that we had a small team of people who were passionately interested in archaeology," Mr. Montlucón said. They agreed to work on some of the conservation problems raised by Captain Guérat.

In the course of their researches

they made the serendipitous discovery that electrolysis was extremely efficient in removing the mineralogical and bacteriological secretions that form around objects that have been long below the surface of the sea. This crust is usually harder than the object itself, and its removal has generally entailed a laborious chipping away with hammer, chisel and drill that risked damaging the object. Electrolysis removes the tough caparace cleanly, leaving the surface of the relic in pristine condition. Objects cleaned in this way are usually found to be in far better condition than artifacts that have been exposed directly to the action of the waves over a long period of time because the crust serves to protect delicate detail.

Because of the enormous depth at which they have lain for 75 years, the objects recovered from the site of the Titanic have not developed any accretion. Mr. Montlucón showed five of the objects to journalists earlier this week — a perfectly preserved pair of pince-nez spectacles in a leather case bearing the name of the optician on Rue de Rivoli in Paris who supplied them; a lade on which most of the gilding was still intact; a bottle, a badly deteriorated serving dish, and what

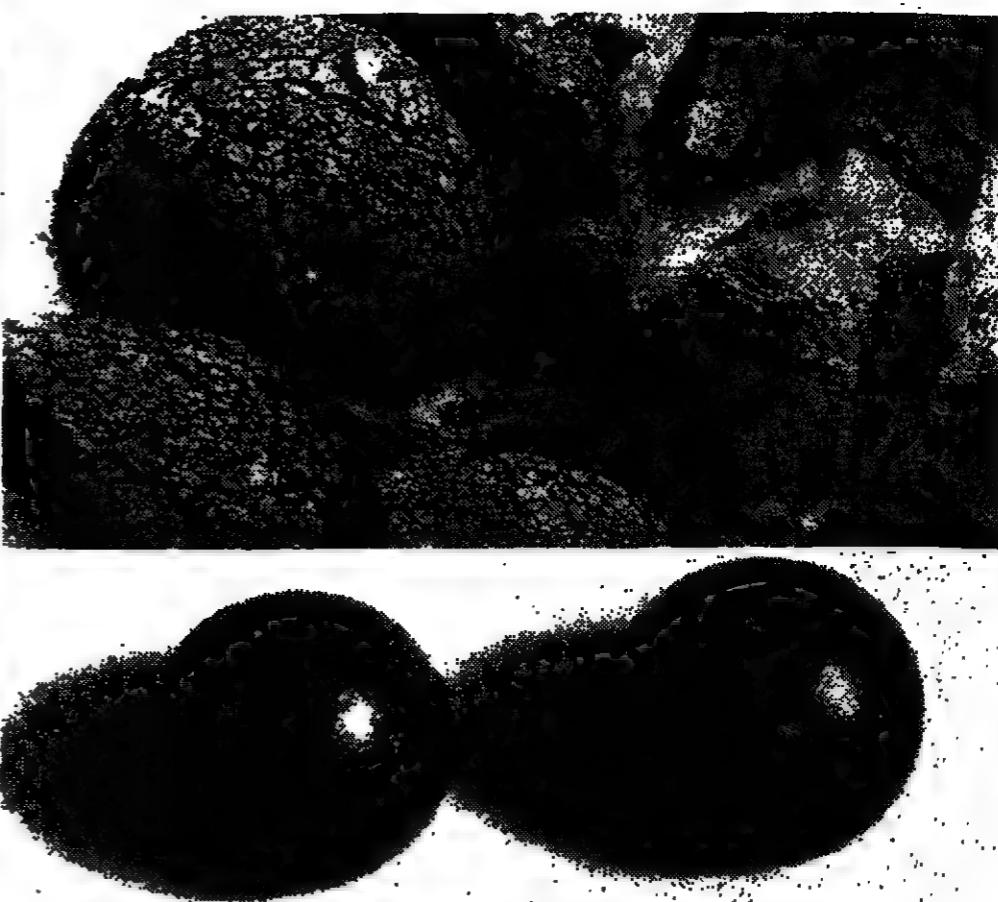
appeared to be a ventilation grill of bronze or wrought iron.

Mr. Montlucón said the artifacts

will give researchers a chance to study the effect of extreme pressure on metal. But otherwise, the restoration of the Titanic objects looks relatively straightforward compared with other projects undertaken by the laboratory. Mr. Montlucón said it should be possible to have them ready for public exhibition by the middle of next year.

One of the most dramatic restorations achieved by the laboratory

was that of a half-ton canon retrieved from the wreck of the Sava Rossi, a Russian ship that founded off the Ille du Levant in 1780. When brought to the laboratory, the canon looked like a huge block of stone. Electrolysis removed the gun



cleanly, and researchers broke up the accretion in an electrochemical solution to find several small and beautiful artifacts whose presence had been unsuspected, including a tiny pin, a gilded buckle and a comb.

They might never have been found with traditional methods, and they certainly could never have been restored to the pristine condition in which they are seen today.

The canon was put on display at the Electro exhibition in Paris in 1983 to celebrate the centenary of the French Electrical Society and was later presented to the Museum of Modern Art of the city of Paris.

The canon immediately attracted the attention of museum restoration departments, leading to requests to carry out projects for the Louvre and the porcelain museum at Sévres, near Paris. It has since

been shown that porcelain objects

can be cleaned and restored by electrochemical methods with a brilliance unmatched by traditional techniques.

The laboratory also carried out a superb restoration of a canon recovered from the Napoleonic ship Le Patriote, which sank off the coast of Egypt in 1798. The canon was donated to France by the Egyptian government. The EDF researchers are now planning to cooperate in the recovery and restoration of objects from the wreck of the Alabama, a celebrated Confederate blockade runner found by the French Navy in 1984 in water 60 meters (197 feet) deep off Cherbourg. The ship, which captured or destroyed 65 Union ships during the American Civil War, was sunk by the Union warship Kearsarge in June, 1864 during a dramatic battle

watched by thousands from the

French shore. The salvage team is led by Captain Guérat.

Although electrochemical restoration methods are coming increasingly into use elsewhere, Mr. Montlucón said the EDF laboratory has probably amassed a broader experience than any other institution. It is also carrying out research on the electrochemical treatment of 20th-century materials such as aluminum and light alloys recovered from downed aircraft, and the restoration of archaeological artifacts dug out of the earth, which present a different set of problems to those recovered from the ocean.

Mr. Montlucón said EDF makes no profit from its unusual sideline. Instead he described the work as "a transfer of technology from the world of industry to the world of culture."

## New Tests for Birth Defects

By Gina Kolata  
*New York Times Service*

NEW YORK — Doctors in the United States are increasingly offering pregnant women two prenatal tests that in some respects are still experimental.

But the tests, designed to detect serious and common birth defects, are providing what many women regard as welcome new opportunities to learn the condition of a fetus.

One procedure, in which a sample of tissue is removed from the uterus, can detect a variety of genetic defects, including Down's syndrome, as early as nine weeks

into pregnancy. But in some cases, the test will result in miscarriage; researchers still do not know exactly how dangerous it is compared with the long-used procedure of amniocentesis, which detects the same fetal problems.

The second procedure, a blood test, can indicate the possibility of nervous system defects and Down's syndrome, the most common cause of mental retardation in the United States. In itself, the test does not pose a danger to the fetus. But its results are only suggestive, and some critics worry that in follow-up tests, the number of normal fetuses that are lost may be greater than the number of defective fetuses that are detected.

The use of both tests is growing explosively, federal experts say.

Because the tests are so often a prelude to abortion, they have heated an already simmering controversy. But many obstetricians are offering them anyway, in part because they feel the tests offer undeniable benefits and, at least in the case of the blood test, because they fear their legal liability if they do not offer the test. In California, physicians are required by law to offer the blood test to their patients; about half the patients are agreeing.

The first test, called chorionic villus sampling, is offered at about nine to 11 weeks of pregnancy. Many experts believe it will eventually replace at least two-thirds of the more familiar amniocentesis procedures, which can only be done to about the fourth month of pregnancy, when abortions are more difficult, both physically and emotionally.

Amniocentesis involves cells obtained from the fluid surrounding the fetus in the amniotic sac. The diluted cells must be grown in the laboratory before they can be analyzed, so results are not available until about two weeks after the procedure is performed.

In chorionic villus sampling the cells are taken from hairlike projections, or villi, on the gestational sac that surrounds the fetus early in pregnancy. The results are available within a few days.

The second test, alpha-fetoprotein screening, is a blood test that is mainly used to detect defects in the neural tube — which forms the spinal column and brain — the most common birth defects in the United States. It can also indicate when a fetus is at greater risk for Down's syndrome.

The chorionic test was introduced in the United States in 1983, but it was not first offered at only a handful of medical centers. Initially, physicians used a plastic catheter, inserted through the cervix, to obtain the samples. The FDA regulated the catheter, which it classed as a new device. But today more and more obstetricians are using a needle inserted into the woman's abdomen, an unregulated technique. Because the FDA cannot regulate procedures, only drugs or devices, it has been unable to limit use of the test.

Many physicians believe the abdominal approach is safer than the trans-cervical procedure. Dr. Jack-

son suggested that the abdominal technique might offer less risk of hitting vital fetal structures, causing miscarriage. And Dr. George Rhoads of the National Institute of Child Health and Human Development in Bethesda, Maryland, said he believed that with the abdominal technique there was less of a chance of infection, a rare but potentially serious complication.

A major question has been the comparative safety for the fetus of the chorionic test and amniocentesis. Amniocentesis, performed at about the 16th week of pregnancy, causes fetal death in about one-half of 1 percent to 1 percent of cases, according to the latest studies.

By contrast, in more than 32,000 chorionic tests over the past four years, 1.9 percent have been followed by miscarriage. Dr. Laird Jackson of Jefferson Medical College in Philadelphia has found. But he said this figure could not be compared with the loss rate from amniocentesis because some of the women would have miscarried anyway.

Dr. Rhoads and his colleagues at the child health institute are now conducting a study to determine how safe the chorionic test is. About 7,000 women at seven medical centers are participating — 6,000 have received the chorionic test and 1,000 have received amniocentesis. Within the next nine months, the investigators hope to have enough data to determine whether the chorionic test is as safe as amniocentesis. The study is being expanded to compare the safety of trans-abdominal tests with that of trans-cervical tests.

In the second test, samples of the woman's blood are taken to measure levels of alpha-fetoprotein, a substance the fetus excretes into the amniotic fluid and that enters the mother's bloodstream.

The test was developed in England about 15 years ago, but it was slow to be adopted in the United States, in part because a number of investigators and the FDA feared it would be offered without adequate counseling and follow-up services such as sonograms and amniocentesis, if necessary. But about two years ago, the American College of Obstetricians and Gynecologists warned physicians that they might be subject to suit if they did not offer a woman the test and she later had a child with a defect.

The test was developed to detect the serious birth defects that occur when the neural tube does not completely close during early development of the fetus. About half the time, the tube is open at the top and the baby is born with a rudimentary brain, or no brain at all, a condition called anencephaly. These babies are dead at birth or die soon after.

In the other half of the cases, the opening is along the spine, and a portion of the nerve column of the spine is exposed. These babies, said to have spina bifida, are born below the portion of open spine. Some of these children also have hydrocephalus, a condition in which fluid accumulates in the head, and that can result in brain damage. Children with spina bifida may be

mentally retarded, and frequently have no bowel or bladder control.

Neural tube defects occur in about one out of every 1,000 babies born.

When a fetus has a neural tube defect, large amounts of alpha-fetoprotein pour out of the open spine or skull into the amniotic fluid. From there they enter the mother's bloodstream, where they can be detected.

The blood protein test is given at 16 weeks of pregnancy, when there is enough of the protein around to make testing feasible. Those women whose alpha-fetoprotein levels are abnormally high are given sonograms, pictures of the fetus produced by sound waves, to see if there is some other explanation for the finding. If the sonogram reveals no explanation, the woman is given amniocentesis. The amniotic fluid is checked for alpha-fetoprotein and for acetylcholinesterase, a nerve enzyme that is often present when the fetus has a neural tube defect.

In 1984, Dr. Irwin R. Merkatz of the Albert Einstein College of Medicine in the Bronx noticed that just as high levels of the fetal protein in a pregnant woman's blood indicate that her fetus may have a neural tube defect, so low levels may indicate that the fetus has a chromosomal defect, the most common of which is Down's syndrome. The finding was recently confirmed in a two-year study of 34,000 pregnant women in Connecticut directed by Dr. Miriam Schoenfeld DiMaio of the Yale University School of Medicine.

Dr. DiMaio and others hail this as an unexpected benefit of alpha-fetoprotein screening. Until then, women were not normally offered amniocentesis unless they were at least 35, the age at which the risk of carrying a child with Down's syndrome — one in 270 — is about the same as the risk that the procedure will result in loss of the fetus.

But Dr. DiMaio notes, 80 percent of women who have babies with Down's syndrome are under 35; although their individual risks of having a child with Down's syndrome are low, so many pregnant women are younger than 35 that they have more than half of the affected babies.

With alpha-fetoprotein screening, it is possible to tell younger women if the fetus they are carrying is at

FROM  
1875...

THURSDAY, SEPTEMBER 24, 1987

## INTERNATIONAL MANAGER

## As Dollar Falls, Consider Part Payment in, Say, Yen

By SHERRY BUCHANAN

*International Herald Tribune*

**M**ANAGERS being paid in dollars and working in European countries and in Japan are hurting as the dollar continues to lose value against European and Japanese currencies. Even though many international compensation experts say the best way for managers to protect themselves against currency fluctuations is to be paid partly in dollars, partly in local currency, few U.S. companies give that option.

And usually only U.S. executives on long-term assignments — meaning those longer than the average three-year assignment — ask for it.

"In most countries we recommend that companies split the expatriate pay by paying a portion in local currency," said Margaret Keyzour, senior consultant at Organization Resource Connections Inc. in New York. The company advises 1,000 U.S., Australian and European multinationals on how to structure expatriate benefits. "That way people don't see their local currency salary fluctuate with the dollar."

In a survey by the firm published this year, only a third of 335 U.S. companies questioned said they gave executives going on assignment abroad the option to be paid partially in dollars and partly in the local currency.

The reason companies say they pay people in dollars is that administratively it is easier for them to keep U.S. managers on temporary assignments on the U.S. payroll. The survey did not ask how many executives who had the option to be paid partly in local currency took it.

In contrast, according to ORC in Paris, French companies usually pay their managers overseas partly in local currency and partly in francs.

"It makes life simple for the expatriate. The best position to be in is to have your expenditure budget in local currency and your savings budget in home-base currency," said Peter Newhouse, senior consultant with ORC. "If you are moving yourself your dollars, say, into local currency, you know you are losing; if you are doing it the other way around, you are gaining. This method gives you stable budgetary targets for your expenditures."

**T**HE FINANCE director of the French subsidiary of a large U.S. multinational, for instance, when he was transferred five years ago to Paris, decided he wanted to get the largest portion of his salary in French francs and a fixed portion in dollars. Thanks to this arrangement, he believes he has the best of both worlds and hasn't been hurt by the drop in the dollar.

He uses his dollar portion to meet his U.S. obligations. Staying on the U.S. payroll also enables him to be eligible for U.S. Social Security benefits and keep a foot in the door at headquarters.

Part of his decision to take split pay was triggered by the fact that his company does not offer any housing, education or cost-of-living allowances to protect overseas employees against a dollar drop. But even allowances have their drawbacks. Although many U.S. managers paid only in dollars are protected against a drop in the dollar by the allowances they get, they often complain they are still being hurt.

"The company only protects the portion of your income attributed to goods and services and to housing from a currency devaluation," said Mrs. Keyzour.

By taking split pay however, many U.S. managers fear they will loose touch with headquarters. Being on local salary can make it more difficult to negotiate a satisfactory pay level when going back home, depending what the dollar's value will be then. By staying on the U.S. payroll, managers who have been abroad can more easily negotiate the next pay rise and promotion.

Being paid partly in local currency makes life simple for the expatriate.

## Bonn Is Closer to VW Sale

## Says It May Offer 16% Stake in '87

By Ferdinand Protzman

*International Herald Tribune*

FRANKFURT — The West German government may sell its stake in Volkswagen AG before the end of the year, Finance Minister Gerhard Stoltenberg said Wednesday. The sale had been indefinitely postponed after a currency fraud scandal at the automaker earlier this year.

The government will consider selling the 16 percent holding in VW before an annual shareholders' meeting in June had prompted the government to postpone a decision until 1988 at the earliest, Mr. Stoltenberg said.

His remarks sent VW's shares sharply lower on the Frankfurt Stock Exchange to end at 385.50 Deutsche marks (\$211.29), off 9.50 DM from Tuesday's close.

The market still has a lot of uncertainty about Volkswagen," said a broker for a West German bank. "The currency scandal looks to be about over, but it raised a lot of questions about the harmony and techniques of VW's management. And they still have problems in the United States and South America."

If the government does sell its stake this year, it would "almost certainly have to be at very favorable terms," the broker said.

Questions about the company's management procedures and financial controls arose after VW revealed March 10 that it would shoulder losses of 473 million DM resulting from fraudulent foreign exchange trading.

The company's Volkswagen of America Inc. subsidiary reported Wednesday that sales fell 15.7 percent in the year to Sept. 20.

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## BUSINESS ROUNDUP

**C&W Appears to Prevail Japan Telecom Effort**

By Our Staff From Dispatches

**NDON** — Cable & Wireless apparently has won a struggle to secure a license to operate an international telecommunications service in which it holds a substantial stake.

It was confirmed Wednesday that C&W had been invited by Japan's Ministry of Posts and Telecommunications to apply for the license.

"It is a very significant stage to

said a C&W spokeswoman.

"In Japan, being invited is tantamount to winning the contract."

A question of the license had been raised by a brief but angry dispute between Japan and Britain. At one

Prime Minister Margaret Thatcher wrote to Japan's prime minister, Yasushi Nakasone, challenging his commitment to the domestic market to foreign competition.

British officials also threatened to withdraw if the license were not given to C&W, possibly by re-entering operations by Japanese in London.

The invitation has gone to International Digital Communications, which Cable & Wireless holds a 3 percent interest. Internation-

Digital said Tuesday in London that it would make a formal application before the end of the month.

Among the 34 members of the International Digital consortium are C. Itoh & Co., with 21.83 percent, Toyota Motor Corp., with 15 percent, Pacific Telegis Group of the United States, with 10 percent, and Merrill Lynch & Co., with 3 percent.

Japanese law limits foreign ownership of telecommunications companies to 33 percent.

The apparent decision to allow three-way competition comes after more than a year of negotiations.

International Digital and an all-Japanese group, International Telecommunications Japan Inc., had been seeking permission to compete with Kokusai Denchukin Denwa Co., which has a monopoly on international telephone service.

International Telecom is led by Mitsubishi Corp., Mitsui & Co. and 53 other Japanese companies.

Japanese authorities had put forward a plan in March under which the two competing groups would merge.

In a merged group, C&W had been offered a stake of 3 percent, later raised to 5 percent by a mediator, which the company rejected.

(Reuters, JHT)

**Jardine's First-Half Profit Expected To Surge 70%**

By David Brown

Special to the Herald Tribune

**HONG KONG** — Jardine Matheson Holdings Ltd., the Hong Kong company grouping financial, retail and real estate interests, is expected to increase half-year profit by about 70 to 90 percent with its results on Friday, analysts say.

The improvement would reflect an expansion of its finance and all operations and a reorganization of its subsidiaries, they said. They also said the company could soon announce a rights issue to raise up to 2 billion Hong Kong dollars (\$256 million) to finance continuing expansion overseas.

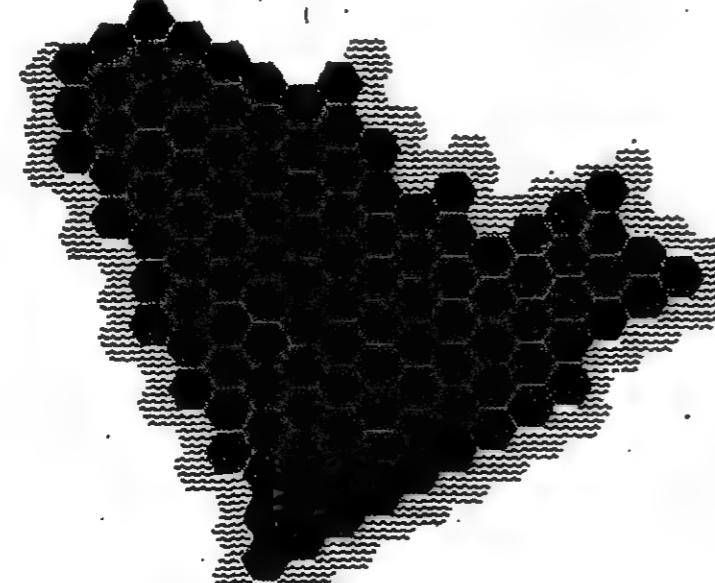
Analysts said Jardine was likely to show net profit of \$300 million to \$400 million for the six months, after \$150 million a year before. Anthony Bellinger of Warburg Securities Ltd., forecasting first earnings at \$40 million dollars, said three-quarters of the profit will come from financial services, marketing and distribution.

Analysts at Victoria de Costa Hong Kong Ltd. agreed, adding that brokerage arm, Jardine Fleming Holdings Ltd., benefited from trading on the Hong Kong and Japanese stock markets.

Jardine Matheson expanded its financial services operations by buying a U.S. insurance broker, Ernst and Chandler Cos., last year. It also added to its retail business by acquiring the 7-Eleven chain in Britain.

Analysts noted that Jardine was no longer largely dependent on its subsidiary, Hongkong Land Co. After a reorganization, it now indirect holdings that comprise 29 percent in Hongkong Land, 32 percent and 34 percent in two former Hongkong Land subsidiaries. The three will account for only about 20 percent of the firm's first-half profit, the analysts said.

(Reuters)

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**Lorenzo Pledges New Image for Continental**By Martha M. Hamilton  
*Washington Post Service*

**HOUATON** — Frank A. Lorenzo, chairman of Continental Airlines, has pledged to turn around the airline's reputation for poor service and to transform Continental into "the best airline for our times."

Backed up by the singing group Gladys Knight and the Pips, Mr. Lorenzo spoke to several thousand Continental employees gathered at the Albert Thomas Convention Center here for what was billed as "the first worldwide performance celebration" — an extravaganza put on twice Tuesday for employees in Houston, the airline's headquarters, and simultaneously beamed to employees gathered at the airline's other major operations centers.

Continental rated worst in terms of consumer complaints per 100,000 passengers during the first seven months of the year, according to the Department of Transportation. In August it improved to second worst after Northwest Airlines as consumer complaints against Continental decreased 28 percent.

Mr. Lorenzo and other officials of the Texas Air Corp. subsidiary said they intend to be as aggressive in changing their image as Texas Air has been in building the largest U.S. airline company.

"We'll do whatever is necessary to reach our goal," Mr. Lorenzo told the cheering audience. "We listened to our customers' complaints, we fixed the worst of our problems, and we're now on our way to delivering on our commitment — becoming the best airline for our time."

Continental officials spoke of the problems that have occurred since February, when People Express, New York Air and Frontier were merged into Continental. That consolidation produced major operational difficulties for the airline.

"There were growing pains. There were delays and cancellations and lost baggage," Mr. Lorenzo said. "But that's changing."

Frequent business travelers were often frustrated with Continental's service, he said.

Consumer service has increasingly become the battleground on which airlines are competing — each promising to provide a larger measure of relief from the headaches of flying. Continental on Monday unveiled an advertising campaign designed to reassure the public about its service.

"Once people called us 'The Prod. Bird,'" begins one such ad. "Lately they've been calling us other names." The ad goes on in a more upbeat way to talk about improvements in service, including what Continental said was a 100 percent improvement in the past six months in delivering baggage at the same time and to the same airport as the travelers who checked the baggage.



Frank A. Lorenzo

Continental faces other problems beyond its public image, however. It is the target of an organizing campaign by the Air Line Pilots Association, and labor relations at its sister airline, Eastern, are suffering. The stock of Texas Air, which owns both airlines, has dropped in recent weeks.

**Fiat, STET Venture Is in Jeopardy**

By David Brown

Special to the Herald Tribune

**ROME** — Two of Italy's biggest industrial groups, one public and one private, are engaged in a quarrel that is threatening to destroy an effort to restructure the country's

fragmented telecommunications industry.

Luigi Granelli, the government's minister for state holdings, warned Wednesday that the dispute may force an "alternative solution" to a plan aimed at making Italy competitive on international markets.

The spokesman said the office would inform ASKO that authorities are reviewing the company's 24.9 percent stake in Massa to determine whether it conforms with antitrust laws. He said ASKO's attempt to increase its holding to between 25 percent and 49.9 percent

percent cross stake in ASKO and ASKO's managing board chairman, Helmut Wagner, also serves as chief executive of Massa, he said.

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NYSE Most Actives					
AT&T	1,038	34.2	34.0	34.0	+ .24
IBM	51,954	124	124	124	+ .16
Nicem	39,040	10.5	10.5	10.5	+ .16
Motorola	36,773	52.5	52.5	52.5	+ .16
Amoco	36,773	100.0	100.0	100.0	+ .16
IBM	22,640	124	124	124	+ .16
Exxon	22,599	62.5	62.5	62.5	+ .16
Monsanto	20,271	32.7	32.5	32.5	+ .16
Motorola	18,956	31.0	31.0	31.0	+ .16
Petrolia	18,956	49.0	49.0	49.0	+ .16
United	16,945	21.0	21.0	21.0	+ .16
Louisiana	16,644	32.5	32.5	32.5	+ .16
Citrix	16,524	22.0	21.8	21.8	+ .16

Market Sales					
NYSE 3 p.m. volume	1,024,840,000	Open	Close	Change	
NYSE 3 p.m. close	1,024,840,000	High	Low	Close	
Average price, com. gross	1,024,840,000	Time	Chg.		
PNX, OTC & BSE, Bourses	1,024,840,000				

NYSE Index					
Composite	178.58	178.58	178.58	178.58	
Industrial	217.10	217.10	217.10	217.10	
Transport	157.45	157.45	157.45	157.45	
Utilities	77.77	77.77	77.77	77.77	
Average	76.71	76.71	76.71	76.71	
PNX, OTC & BSE, Bourses	121,104,000				

Wednesday's NYSE Closing					
Advanced	327	327	327	327	
Declined	327	327	327	327	
Unchanged	327	327	327	327	
Total Issues	327	327	327	327	
New Highs	12	12	12	12	
New Lows	12	12	12	12	

AMEX Diary					
Close	Prev.	Close	Prev.	Close	Prev.
Advanced	327	327	327	327	327
Declined	327	327	327	327	327
Unchanged	327	327	327	327	327
Total Issues	327	327	327	327	327

NASDAQ Index					
Close	Prev.	Close	Prev.	Close	Prev.
Advanced	327	327	327	327	327
Declined	327	327	327	327	327
Unchanged	327	327	327	327	327
Total Issues	327	327	327	327	327

AMEX Most Active					
W.D.G.	4,922	226	226	226	+ .24
CFC	4,242	226	226	226	+ .24
Honeywell	3,956	124	124	124	+ .24
Telephonics	3,038	52	52	52	+ .24
Texair	2,624	52	52	52	+ .24
Ech-B-G	2,520	52	52	52	+ .24
Motorola	2,427	226	226	226	+ .24
W.W. Grainger	2,227	171	171	171	+ .24
Time Warner	1,819	45	45	45	+ .24
Bolger	1,712	37	37	37	+ .24

AMEX Stock Index					
High	Prev.	High	Prev.	High	Prev.
351.42	347.76	351.32	347.76	351.32	347.76

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

## NYSE Gains in Heavy Trading

United Press International

NEW YORK — Prices on the New York Stock Exchange rose Wednesday in heavy trading, buoyed by follow-through buying after Tuesday's record-setting gain.

The Dow Jones industrial average, which gained 75.23 points Tuesday in its biggest one-day point gain, rose 17.62 points to close at 2,585.67, according to preliminary figures.

National Semiconductor was gaining. Among other semiconductor issues, Texas Instruments, Motorola, and Advanced Micro Devices were all advancing. Trading over-the-counter, Intel was posting a gain.

Santa Fe Southern was up in active trading. The company plans to buy up to 28 percent of its stock as part of a restructuring plan. It also said that it will offer part of an energy unit to the public and spin off some property holdings.

Newmont Mining was lower. A Delaware chancery court Wednesday temporarily barred Consolidated Gold Fields PLC, the largest shareholder of Newmont Mining Corp., from buying more shares of the energy and gold company, which is facing a takeover attack from an investor group led by T. Boone Pickens, the Texas oilman.

Gilead Brewing was off slightly. It agreed to be acquired by Bond Corp. Holdings of Australia for \$40.75 a share.

Among blue chips, IBM was lower after jumping 5% Tuesday and General Electric trading ex-dividend, was off a bit.

Prices were ahead in moderate trading of over-the-counter and American Stock Exchange issues.

The Dow was bolstered Tuesday on dollar and bond market strength and futures-linked gains. The Dow industrials soared to 2,586.05, a gain of just over 3 percent. The Dow's previous record one-day jump occurred April 3.

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Country/Currency	TOLL-FREE TELEPHONE NUMBER	12 months +15 FREE ISSUES	6 months +12 FREE ISSUES	3 months +10 FREE ISSUES	Same per year
Austria	**	4,800	1,400	1,450	4,800
Belgium	(02) 218 26 68	11,000	6,000	3,800	4,900
Denmark	4,300 00 33	2,500	1,400	770	3,100
Finland	(09) 69 30 30	1,720	950	520	4,100
France	(1) 43 31 38 69	1,500	820	450	4,100
Germany*	(069) 29 28 00	580	320	175	4,100
Greece	Dr.	100	72	40	400
Ireland	**	22,000	12,000	6,600	4,500
Italy	(03) 245 23 69	380,000	210,000	115,000	40,000
Luxembourg	L.F.	**	11,500	6,300	3,700
Netherlands	(02) 43 41 16	650	360	198	4,000
Norway	N.Kr.	1,800	980	540	3,800
Portugal	Esc.	**	22,000	12,000	6,600
Spain*	Pes.	(95) 302 22 82	24,000	16,000	8,800
Sweden	S.Kr.	(08) 21 82 75	1,800	980	540
Switzerland					

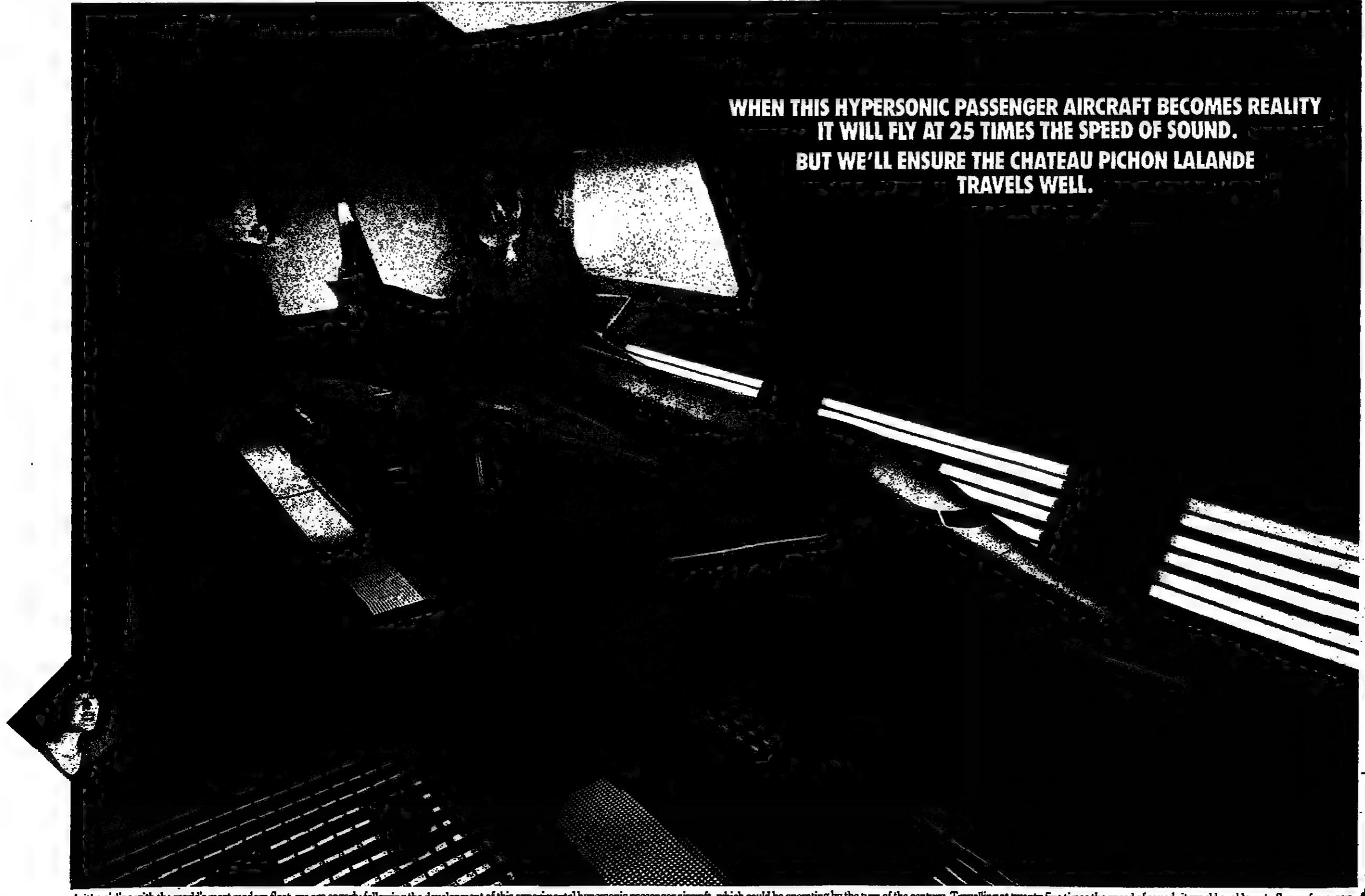


**Wednesday's  
AMEX  
Closing**

**Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.**  
*Via The Associated Press*

12 Month High Low		Stock	Div.	Yld.	PE	Sg. 100s	High	Low	Close Qtr.	Chg.
<b>A</b>										
12	34	ABIn			17	21	12	11%	11%	-
10%	41	ABCBGn			12	23	14	8%	8%	+
14%	81	ALGobs	.12	1.1	17	23	14	10%	10%	-
14%	74	AMC	.10	1.1	12	20	14	5%	5%	-
4%	24	AOI	.05e	1.3	29	4	24	2%	2%	-
6%	3	ARCg				5	5	4%	5	-
31%	8	AT&T				52	21	20%	20%	-
3%	2	ATTCr wrl				52	23	2%	2%	-
44%	33	ATT Fd \$1.87	4.4			128	42	42	42	-
15%	104	Abmdln				24	11	11%	11%	-
10%	64	AcmeCh	.08			65	72	7%	7%	-
10%	52	AcmeL	.12			46	6%	6	6	-
22%	1	AcmeS				21	21	21%	21%	-
7%	4	Acn wrf				21	21	21%	21%	-
4%	14	AdmRgs			44	62	5	5%	5%	-
19%	14	AdRsF/El			44	39	14	14%	14%	-
42	19	AdRuS r			29	8	41%	41%	41%	-
3%	10	AdRuS r				30	30	30	30	-
19%	10	AirExp			18	181	18%	18%	18%	-
18%	16	Aircod n			28	17	16	16%	17%	-
10%	56	Albow			12	5	9%	9%	9%	-
20%	34	Alfrn s				720	5	5%	5%	-
9%	9	Alfrn s	1.38	14.5		196	9	9%	9%	-
21%	8	AlfrnGr				34	9%	9	9%	-
7%	8	AlfrnGr				18	18	18%	18%	-
42%	16	Alzo				21	15	15%	15%	-
6	4	AmBril	.08	1.8	170	171	39%	37%	39%	+1%
46%	18	AmDchil	.29	4.2	436	48	45%	45%	45%	+2%
17%	11	AmBll	.15	1.1	11	57	28	28%	28%	-
5%	34	AmCap				11	24	4%	4%	-
22%	24	Acap pf				6	24	24%	24%	-
5	2	AE x F F w1				769	24	24%	24%	-
19%	94	AFruc A				294	14	14%	14%	-
9%	91	AFruc B				111	14	14%	14%	-
41%	1	Agri				21	21	21%	21%	-
13%	6	AgmLnd				30	9	9%	9%	-
14	9	AgmList				55	55	55%	55%	-
26%	14	AmMzeA	.52	2.3	18	104	22%	22%	22%	-
23%	14	AmMzeB	.52	2.3	18	3	32	32%	32%	-
5%	2	AMBld				294	32	32%	32%	-
18%	44	AmOil				10	45	45%	45%	-
73%	40	APen	.30	1.3	15	11	15	15%	15%	-
16%	10	APrec				10	45	45%	45%	-
19%	70	ApRes				182	3	3%	3%	-
19%	47	AmRovl	1.30e14.8	4	231	95	9	9%	9%	-
12%	4	ASCE				14	24	24%	24%	-
12%	14	Asch				25	25	25%	25%	-
10%	10	AsSwl n				16	25	25%	25%	-
8%	34	AtchC				25	25	25%	25%	-
27%	21	At-chd pf				22	22	22%	22%	-
16	7	At-chd sc				25	13	13%	13%	-
97%	79	At-chd sc	1.29	3.8		1	55	55%	55%	-
26	10	At-chd sc				50	19	19%	19%	-
23%	18	At-chd sc				11	22	22%	22%	-
14%	4	At-chd sc	1.15	8.2		11	22	22%	22%	-
68%	55	At-pr sc				6	61	61%	61%	-
30%	15	At-pr sc				46	21	21%	21%	-
23%	18	At-sc				46	21	21%	21%	-
75%	61	Abmby pr	2.75	4.0		9	69	69%	69%	-
82%	59	Abmby sc				12	32	32%	32%	-
82%	29	Abmby sc	2.35	5.7		41	41	41%	41%	-
17%	11	Abmby sc				17	14	14%	14%	-
34	31	Ac-ho dr	1.07	3.2		35	35	35%	35%	-
26%	11	Ac-ho dr				161	61	61%	61%	-
72	54	Ac-dow br	2.18	3.5		60	61	61%	61%	-
41%	19	Ac-dow sc				104	40	40%	40%	-
60%	21	Ac-dod sc				157	44	44%	44%	-
60%	52	Ac-xon pr	1.98	6.7		11	55	55%	55%	-
34	12	Ac-xon sc				262	37	37%	37%	-
13	4	Ac-xle sc	2.47	7.5		47	37	37%	37%	-
131%	26	Ac-xle un	1.26	3.2		82	104	9%	10%	-
89	72	Ac-pr br	2.59	3.3		243	24	24%	24%	-
47	24	Ac-pr sc				81	78	77%	77%	-
71%	44	Ac-pr sc	4.58	7.2		44	44	44%	44%	-
50%	10	Ac-pr sc				227	191	191%	191%	-
61%	51	Ac-pr sc				115	61	61%	61%	-
43%	18	Ac-pr sc	2.07	4.1		115	61	61%	61%	-
43%	61	Ac-pr sc	2.95	4.7		115	61	61%	61%	-
43%	27	Ac-ini pf				115	61	61%	61%	-
44%	60	Ac-ini pf				115	61	61%	61%	-
44%	31	Ac-ini pf				115	61	61%	61%	-
44%	37	Ac-hwo br				115	61	61%	61%	-
20%	19	Ac-hwo br				121	28	28%	28%	-
12%	108	Ac-lbm br	4.35	4.0		110	110	108%	108%	-
58	364	Ac-lbm sc				170	474	474%	474%	-
138	105	Ac-mrk pr	3.15	24		170	474	474%	474%	-
67%	41	Ac-mrk sc				170	474	474%	474%	-
77	68	Ac-mo sc				170	474	474%	474%	-
51%	291	Ac-mo sc				170	474	474%	474%	-
79%	143	Ac-mob pr	2.18	4.2		170	474	474%	474%	-
70%	164	Ac-mob pr	2.45	4.9		170	474	474%	474%	-
42%	241	Ac-mob sc				170	474	474%	474%	-
42%	34	Ac-sr	1.95	5.2		170	474	474%	474%	-
20%	124	Ac-sr sc				170	474	474%	474%	-
60	557	Ac-xpr pr				170	474	474%	474%	-
30	18	Ac-xpr sc				170	474	474%	474%	-
31%	1	Amsteel	.56	2.3		170	474	474%	474%	-
15%	84	Amwest	1.68	1.7		170	474	474%	474%	-
15%	64	Andoil				170	474	474%	474%	-
33%	14	AnduCo	.72	4.3		170	474	474%	474%	-
11%	76	Anesles				170	474	474%	474%	-
19%	156	AnalFin	1.84e10.8			170	28	28%	28%	-
20%	1	AnalEnr				170	28	28%	28%	-
9%	74	AnalEnr w1				170	28	28%	28%	-
7	3	ArktRaf				170	28	28%	28%	-

(Continued on next page)



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حكايات الأصل

## CURRENCY MARKETS

## Dollar Ends Mixed on Negative Data

Reuters

LONDON — The dollar ended Wednesday in European trading after disappointing U.S. economic data took the gloss off currency's afternoon performance.

The dollar had risen earlier in the day on worries about renewed hostilities in the Gulf, dealers said.

The dollar ended at 1.8220 Deutsche marks, up from 1.8205 DM at today's close, but slipped to 85 yen from 144.05. It ended lower against the British pound, which closed at \$1.6425, against \$1.630.

Tensions in the Middle East and 800 before monetary meetings weekend by major industrial nations are expected to place a lid under the dollar for the time being, dealers said.

The dollar had touched a high of 1.8295 DM before news that U.S. Consumer Price Index rose by 0.5 percent in August after a 2 percent gain in July. The August data surprised most economists, who had predicted an increase of 0.2 percent to 0.3 percent.

The U.S. government also reported a 3.1 percent August decline in orders of durable goods.

Dealers said that despite the figures, the dollar appeared to counter quite strong support its lows of 1.8185 DM and 85 yen.

Most dealers said they thought the dollar's immediate potential for a decline was limited by tension before gatherings of the Group of Five and the Group of Ten industrialized nations in Washington and by the possibility of mounting tension in the Gulf

Cities	Mon.	Tues.
London	1.8220	1.8205
Paris	1.4285	1.4265
Japan	1.3128	1.3085
French franc	8.8775	8.8490

Source: Reuters

ance and monetary officials to reaffirm the accord on currency stability and possibly to expand it.

In New York, the dollar was lower at mid-session in light trading, depressed by the poor U.S. economic statistics, dealers said.

The dollar was trading at 1.8228 DM, down from 1.8245 at Tuesday's close, and at 144.00 yen, down from 144.35.

Robert Hatchett, a corporate dealer at Barclays Bank, said that the inflation figure was the most bearish factor in Wednesday's market. "We're starting to see a pickup in inflation," he said. "There's nothing that will chase away capital more than a whiff of inflation."

In earlier European trading, the dollar was fixed in Frankfurt at 1.8291 DM, up from 1.8171 DM Tuesday, and in Paris at 6.0980 French francs, up from 6.0568.

It closed in Zurich at 1.5107 Swiss francs, up from 1.5050.

## Intervention Halts Rise of Australian Dollar

Reuters

SYDNEY — The Australian dollar appears to have peaked after aggressive selling of the currency by the Reserve Bank over the past few days, dealers said Wednesday.

They said that the dollar, which had pushed up toward 74 U.S. cents on Tuesday, seemed to have run out of steam and appeared ready to dip after closing at about 72.90.

"The dollar appears to have exhausted itself and could fall toward a support level around 72.6 cents," said David Wade, a senior foreign exchange advisor at Westpac Banking Corp.

Dealers said that the central bank may have sold a total of \$100 million dollars (\$366.5 million) on Tuesday and Wednesday in an effort to halt the currency's rise.

The dollar had soared after figures released last week showed a nearly balanced Australian budget and better-than-expected figures for the nation's current account.

Dealers said that the bank's operations were particularly successful Tuesday, when it entered the market shortly before the close in

## New U.K. Bonds Yield 9.51%

Reuters

LONDON — The British government auctioned Wednesday \$200 million (\$131 billion) of 9 percent bonds due in 2008 at an average yield of 9.51 percent, getting a weaker response from investors than at its only other auction in May.

The Bank of England said it had received bids totaling \$1.2 billion enough to cover the required amount 1.5 times. In May, this so-called bid-to-cover ratio was 2.25.

Dealers said that another sign of relatively weaker demand was the difference of one-quarter of a percentage point between the average price of 94.85 and the lowest price of 94.60. In May, the gap was only 0.05 of a point.

(Continued from first finance page)  
ing them forced the bank to lift the interest rate back to the level of its competitors, causing many of its customers to drop out of the program.

Consumer banking has proved difficult for most of the foreign institutions, and Bankers Trust's avoidance of that sector may be the key to its success. It made no attempt to woo retail customers, instead concentrating on the fee-based advisory, underwriting and treasury businesses it had pursued successfully as a merchant bank.

Bankers Trust's operation in Australia was nominated for "best new venture" and best-managed bank in a recent survey of chief executives by a recruitment company, Egon Zehnder.

As for the other banks' performance, the sense of disappointment has extended to the Australian treasurer, Paul Keating, who had been so enthusiastic in his welcome of the new banks two years ago. He recently expressed regret that the new banks had not made more inroads into the marketplace.

## Taiwan Power Reports Records for Fiscal '87

Reuters

TAIPEI — Taiwan Power Co. reported record profit and revenue Wednesday for the year ended in June.

The government-owned company said that pretax earnings rose 22 percent to \$4.1 billion Taiwan dollars (\$1.13 billion), or 2.50 dollars a share, on a 7.6 percent increase in sales to 139.4 billion Taiwan dollars. Taiwan Power also said it would pay a dividend of 3.40 dollars a share.

	Assets*	1986 Net Profit*
Bank of Singapore (Singapore)	145	0.07
Bankers Trust (U.S.)	1,100	25.0
Chase (U.S.)	1,800	2.8
Deutsche Bank (West Germany)	236	0.28
LB.I. (Japan)	300	0.25
Mitsubishi Bank (Japan)	385	0.11
Westpac (Australia)	1,825	(0.13)

There is no sign that any of the less successful foreign banks will abandon Australia, but they are reassessing their commitment and making cuts. Lloyd's Bank PLC is reducing its \$475 million commercial loan portfolio after unsuccessfully trying to sell it and has dismissed 17 senior executives.

Citibank, though profitable, has cut the number of branches to 11 from 30 in 1984, when it was a finance company. The head of Citibank's retail bank, Marty Cooper, said the cost of branch banking was prohibitive.

Bank of America one year ago abandoned plans for a retail banking arm. It was to have situated branches in the department stores of Coles Myer Ltd., Australia's largest retailer. Now Bank of America has said that it might part company with Coles, its 25 percent partner in Australian banking operations.

This setback was forced on the bank by the problems of its American parent, BankAmerica Corp.

The Federal Reserve Board, the U.S. central bank, refused to allow the Australian subsidiary to invest money in Australia at a time when its parent was on its way to losing \$518 million for the year.

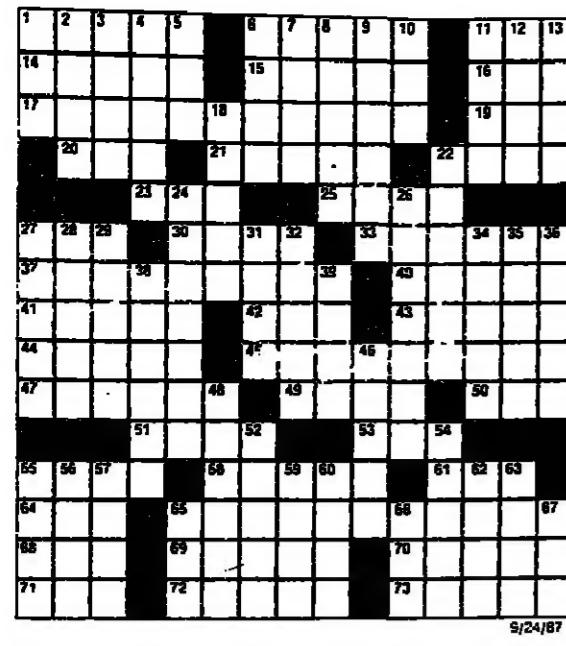
The Chase venture aggressively sought business among wealthy individuals by offering a credit card that offered an interest rate at three percentage points below that of its rivals. The bank managed to circulate fewer than 70,000 cards, and the high cost of issuing and servicing a share.

## Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.

Via The Associated Press

Stock Div. Yld. Sales in Millions High Low 3 P.M. Chg.



**ACROSS**

- 1 Moslem spirit
- 6 British spirit
- 11 Horned god
- 14 "The Tem-  
per" spirit
- 15 Julian's pants
- 16 Ellington's monogram
- 17 Noisy spirit
- 19 Intel.
- 20 Recent: Prefix
- 21 Spume; froth
- 22 Fighting spirit, colloquially
- 23 P.O. abbr.
- 24 Utah's flower
- 25 Mischievous spirit
- 26 Family of an Irish patriot
- 27 Rom
- 28 Spirits in Pompey's pad
- 29 She joys with boys
- 30 Maxim
- 31 Pochard
- 32 Some pinnipeds
- 33 Sired
- 34 Utah range name
- 35 Fastened, in a way
- 36 French spirits
- 37 Successor to F.D.R.
- 38 Search for food
- 39 Fauci problem
- 40 French
- 41 A victim of Artemis
- 42 Attention
- 43 Actress Hasso
- 44 Word with firma or cotta
- 45 Reject
- 46 Dumbarton Oaks, e.g.
- 47 Graf —
- 48 Vocalize
- 49 Graf —
- 50 Small boy
- 51 Muffins
- 52 U.S. mil. honor
- 53 Spirits
- 54 Maxim
- 55 Scotch
- 56 Pompey's pad
- 57 René's spirit
- 58 Resort
- 59 The heavens
- 60 Heart parts
- 61 Horned god
- 62 Army of the Pommec leader
- 63 Julian's pants
- 64 Ellington's monogram
- 65 Noisy spirit
- 66 Intel.
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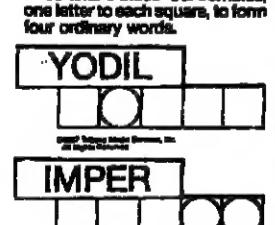
### DENNIS THE MENACE



"I DIDN'T TELL YOU WHAT HAPPENED RIGHT AWAY BECAUSE IT TOOK ME A WHILE TO THINK IT UP!"

### JUMBLE

THAT SCRAMBLED WORD GAME  
by Henri Arnold and Bob Liss



THE THING ABOUT A HOME THAT GETS THE MOST INTEREST.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: THE

(Answers tomorrow)

Yesterday's Jumble: DROOP MOUTH OUTCRY HYMNAL

Answer: That road preferred girls who don't — NOT TOO MUCH!

### WEATHER

EUROPE		LOW	ASIA	HIGH	LOW
Austria	25	25	Bosnian	25	25
Belgium	24	24	Bolivia	25	25
Denmark	25	25	Brunei	25	25
Egypt	25	25	Bulgaria	25	25
Finland	25	25	Cambodia	25	25
Greece	25	25	China	25	25
Iceland	25	25	Colombia	25	25
Ireland	25	25	Costa Rica	25	25
Italy	25	25	Croatia	25	25
Japan	25	25	Cuba	25	25
Lithuania	25	25	Cyprus	25	25
Macedonia	25	25	Czechoslovakia	25	25
Netherlands	25	25	Denmark	25	25
Portugal	25	25	Djibouti	25	25
Romania	25	25	Ecuador	25	25
Russia	25	25	Egypt	25	25
Serbia	25	25	El Salvador	25	25
Slovenia	25	25	Equador	25	25
Spain	25	25	Eritrea	25	25
Sweden	25	25	Estonia	25	25
Turkey	25	25	Ethiopia	25	25
Ukraine	25	25	Fiji	25	25
Yugoslavia	25	25	Finland	25	25
Zimbabwe	25	25	France	25	25

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**GERMANY**

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**ITALY**

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**SPAIN**

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**SWITZERLAND**

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**UK**

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**USA**

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Previous: 279.22

**WORLD**

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**YUGOSLAVIA**

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**ZAMBIA**

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**ZIMBABWE**

**INDIA**

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Indices: 279.22  
Previous: 279.22</p

## FL's Opposing Sides Ready to Meet Nonstop; Rozelle Enters Picture

By Gerald Eskenazi  
New York Times Service

**N**EW YORK — The parties in National Football League strike began Tuesday were to begin off-the-clock talks Wednesday in front of and the walkout time may on Sunday.

Since Upshaw, the players' chief negotiator, flew to New York from Washington office Tuesday to meet with Commissioner Pete Rozelle. Following that, Upshaw met 90 minutes with Jack Donlan, head of the management Council, the NFL's negotiating arm.

That talk went well enough that they agreed to meet again Wednesday in Philadelphia. "We're taking no more than one night," Frank Woschitz, a players association spokesman. Another official said that Upshaw extended the talks to go round the

first positive sign in the time that hard bargaining had been in progress.

Wednesday's talks were to have unusual format: Donlan and Upshaw meeting in one room, other management officials (including team presidents requested by him — Dan Rooney of the Pittsburgh Steelers and Tex Schramm of the Dallas Cowboys) a second room, and the nine comprising the union's executive committee in a third room with union executives. The yes are Marvin Powell, George Martin, Dan Marino, Brian Shaw, James Lofton, Michael

Jackson, Mike Davis, Mick Lusk, and Mike Kena.

After Donlan and Upshaw meet, they were to confer with their respective groups.

Donlan and Upshaw had not met since Friday, when talks began on April 20, stalled on a new contract. Then, after the weekend's schedule of games, the 1,500 players went on strike.

The league plans to skip this weekend and resume play Oct. 4.

The vast majority of these strike teams will be culled from players previously cut. They will receive an average of about \$50,000 each for the season, compared with the regulars' average of \$230,000 a man.

Tuesday's talks began as picket lines, manned by large young men carrying signs that proclaimed "NFL Players on Strike to Honor Players Past, Present and Future," ringing many training camps. Only a few players crossed the lines Tuesday, but real confrontations, if any, could start when the 28 clubs begin putting together replacement teams.

Some players who showed up Tuesday are on injured-reserve lists; league rules require that, in order for an injured player to receive his salary, he take treatment at the club's training facility.

In New Orleans, three such players crossed a picket line — Steve Korte, a veteran center suffering from a separated shoulder; Todd Steele, a rookie running back; and William Leach, a tackle in his second year. "He's nothing but a scab," Dave Waymer, a defensive



Commissioner Pete Rozelle

back, said of Korte. "We'll see what happens after this."

Three players — none of them injured — crossed the Los Angeles Raider picket line in El Segundo, California. The most noted was the backup quarterback Marc Wilson. "It was agonizing," said Wilson, who explained that his agent had advised him to show up in order to protect his guaranteed contract.

The thorniest issue dividing the owners and players is free agency — the right of a player to move once his contract has expired. Management has proposed a liberalizing of the present compensation rules governing movement of free agents. Currently, if a team signs a free agent, that new team must yield draft picks, the number to be determined by the player's salary.

The union has asked that all players be free to move after their first four years in the league. The owners have countered by suggesting they would be willing to negotiate on draft picks, but would not change the basic system.

## SPORTS

### Versatile Pitchers Help Cards Widen Lead Over Mets

Compiled by Our Staff From Dispatches

**S**T. LOUIS — Putting pitchers in the outfield seems to be a requirement for winning the National League East.

Last season, Davey Johnson alternated Jesse Orosco and Roger McDowell between the mound and the outfield to help New York win a 14-inning game in Cincinnati. And the play worked Tuesday night when Whitey Herzog alternated Todd Worrell and Ken Dayley as St. Louis hung on for a 3-2 victory over Philadelphia, increasing the Cardinals' lead to 3½ games over the Mets and four over

walked two and had a two-run single in the eighth.

Expos 4, Pirates 3: In Montreal, Pascual Perez won his fifth straight game and teammate Mitch Webster had two hits, including a homer, and scored twice. Perez, 5-4 since being recalled from the minors, gave up nine hits in his eight innings of work.

Dodgers 4, Giants 3: In San Francisco, John Shelly's sixth-in-

ning single broke a 2-2 tie and gave

Los Angeles the victory after the Giants wasted a two-run lead for

the second straight day. Stranding

11 runners, San Francisco lost its

third straight game; its magic num-

ber for clinching the Western Di-

vision pennant has remained six

since Saturday.

Reds 5, Padres 3: In Cincinnati, rookie Terry McGriff ended an 0-14 slump with a two-run single that broke a 2-2 fifth-inning tie and sparked the Reds past San Diego. Padre catcher Benito Santiago singled in the fourth, setting a modern major record for rookies by hitting in 24 straight games. The all-time mark, 27, was set by Jimmy Wilkins of Pittsburgh in 1899.

Braves 6, Astros 2: In Atlanta, Jeff Blauner drove in four runs with a triple and two singles, helping fellow rookie Kevin Coffman to his first major-league victory.

Blue Jays 8, Orioles 4: In the American League, in Baltimore, George Bell drove in the winning run for the second straight game, his single touching off a five-run eighth that rallied Toronto. The Blue Jays improved their season record against the Orioles to 11-1; Baltimore is 7-7 against the five teams ahead of it in the Eastern Division.

Cubs 6, Mets 2: In New York,

Steve Korte, a veteran center suffering from a separated shoulder; Todd Steele, a rookie running back; and William Leach, a tackle in his second year. "He's nothing but a scab," Dave Waymer, a defensive

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